

Determinants of Compensation Practices : A Study of Banking Sector

Himani Sharma* and Shallu Mehta**

** Haryana School of Business, Guru Jambheshwar*

University of Science & Technology, Hisar

*** Chaudhary Devi Lal University, Sirsa*

Abstract

As the competition is increasing day by day, the company has to face a lot of challenges. These challenges can be faced when there is an existence of efficient, effective and motivated human resources in the organizations. Out of all the HR practices, compensation plays a major role to motivate, attract and retain the best human resources. This paper aims to explore the major determinants of compensation practices in the banking sector. To achieve the objective, both primary and secondary sources of data have been used and analysed with the help of factor analysis. The sample size of 524 bank employees is selected from the different regions of Punjab State i.e. Majha, Malwa and Doaba. The results explored the six determinants of compensation practices i.e. motivating compensation system, pay for performance, provision of social security, recognition, benefits to deceased employees and educational assistance with the help of factor analysis. The results reveal that the factors explored are complete blend of compensation practices prevailing in the banks. In this paper, inter factor correlation is also found with their respective means. The results also depict that social security is the most important factor, whereas, 'pay for performance' is found to be the least important factor with respect to the compensation practices prevailing in the select banks.

Key Words

Compensation, Banking Sector, Social Security, Factor Analysis

INTRODUCTION

In this competitive world, human resources are considered as an important asset for gaining competitive advantage (Tiwari & Saxena, 2012). As compared to the physical resources, human resources are more important as only these resources are capable to transfer the physical resources in output. Human Resource Management (HRM) is a study of human resources in the organization that how they are planned and controlled. To manage human resources is a very challenging job as every person has different attitude, thinking, emotions, and behaviour from the others. These different behaviours are proliferated when they work together. Thus, it is very imperative to not to neglect them, if anyone wants to accomplish something in their organization. The major HR practices include HR planning, recruitment and selection, compensation, performance appraisal, training and development, employee welfare and grievance handling. But in this paper, the researcher pays attention only on compensation practices prevailing in the banking sector.

In the exchange of employees' services, the organization compensates them. Different researchers have different approaches regarding compensation. Some of them divide the compensation in direct or indirect compensation. Others categorize into primary compensation and supplementary compensation. Primary compensation refers to the fixed compensation such as wages and salaries which are given according to the time spent on the job by the employees. On the other hand, supplementary compensation includes variable pay which is given according to the output of employees. Compensation can also be divided into performance-based pay and non-performance based pay (Taylor, 1911). When the pay is given according to the output produced by the employee, it is termed as 'performance pay'. It includes bonus, commission, piece rate wages, etc. On the other hand, non-performance pay is a traditional method used for paying the employees. It includes monthly salaries, wages etc. Compensation can also be categorized as components-based pay comprised of fixed pay, flexible pay and other benefits. Fixed pay consists of basic pay, allowances, merit pay etc., flexible pay comprises commission, bonus, profit sharing etc. whereas benefits include company car, house, mobile, insurance etc.

Compensation plays a major role in attracting and retaining the best talent in the most dynamic industry that is banking. There is a need to revamp a compensation system if the banks want to succeed and face cut throat competition. With this idea in mind this paper tries to explore the major points that should be incorporated in the compensation system of any bank.

The paper is divided into four sections. Section-I discusses the review of

bygone studies. Section-II presents hypotheses and research methodology. Section-III discusses results of the present study. Section-IV offers conclusion and suggestions.

SECTION I

REVIEW OF BYGONE STUDIES

The most important theoretical and empirical studies related to compensation practices have been reviewed here as under :

Tahir, Yusoff, Khan, Azam, Ahmed & Sahoo (2011) found various instruments of compensation system which motivates the employees of banking sector in Pakistan. In intrinsic compensation, salary, benefits, short-term incentives, long-term incentives and perquisites have been considered, whereas, extrinsic compensation includes job itself, career development, autonomy, delegation. The study found that female employees are more motivated by the compensation variables as compared to the male employees.

Waqas Khan and Owais Mufti (2012) studied the impact of compensation on employees' motivation in private and public sector banks of Peshawar, Pakistan. The research found that the valence of flexible pay is the most motivating variable, whereas performance benefit is found to be the least motivating factor.

Absar *et al.* (2010) made a comparison of public and private sector industrial organizations with reference to compensation practices in Bangladesh. The items included in the survey were 'salary and benefits were competitive', 'salary and benefits are offered on the basis of competencies and abilities of employees', 'compensation is linked to performance', 'pay survey is conducted regularly' and 'non-financial benefits are emphasized'. The result revealed that there is a significant difference between public and private sector with respect to all the items included to measure compensation.

Samina Nawab and Komal Khalid Bhatti (2011) observed the effect of employee compensation on job satisfaction and organizational commitment in the education sector of Pakistan. The study found that the continuance commitment is highly correlated with the employee compensation. The result of multiple regression analysis also showed that the continuance commitment has strong impact on employees' compensation as compared to other variables of organizational commitment.

Faheem Ghazanfar, Shuai Chuanmin, Muhammad Mahroof Khan and Moshin Bashir (2011) explored the relationship between satisfaction with compensation and work motivation. The result of study showed that there is strong

relationship between the employees' compensation and work motivation.

Pooja Misra (2013) studied the impact of rewards on employees' motivation and also analyzed the impact of employee motivation on employees' engagement. The result showed that the motivation is highly correlated with rewards and also positive correlation exists between employees' motivation and employees' engagement. With the help of regression analysis, it is found that 53.3 per cent of employees' motivation is explained by independent variable 'rewards'.

Arik Prasetya and Masanori Kato (2011) investigated the performance of employees regarding performance assessment system and salary in telecommunication companies in Indonesia. With reference to salary, it was found that 98 per cent of respondents are satisfied from the current salary and 63.2 per cent of the respondents feel that the competitive level of salary system is normal. It is also concluded in the paper that majority of the respondents had a clear knowledge of salary system.

M. V. Nandanwar, S. V. Surnis and L. M. Nandanwar (2010) investigated the dominant factors affecting the relationship between incentives provided to employees and resultant motivation. It is concluded in the study that employees had a similar attitude towards both monetary and non-monetary incentives. The results of regression analysis also showed that non-monetary benefits played an important role in affecting employees' motivation.

Reena Ali and M. Shakil Ahmed (2009) studied the impact of rewards on employees' motivation and satisfaction. The results concluded that 'recognition' is the most important factor contributing to motivation.

SECTION 2

RESEARCH METHODOLOGY

Objectives of the study

The following are the main objectives of the study :

- To explore the determinants of compensation practices in banks of Punjab State.
- To find out the most and least important compensation practice prevailing in the banking sector of Punjab.

Database and Sources of Data

As the variables of compensation practices are very large, and not uniform and illustrious in researches so far, exploratory research design is used in the study. The study is based on the primary and secondary source of data collection. A self-

administered questionnaire is used for this purpose which is distributed to 600 employees of public and private sector banks. In the study, five-point Likert Scale is used ranging from Strongly Agree (5) to Strongly Disagree (1).

Sample Size

Questionnaire was distributed among 200 respondents in Majha region (100 to public bank employees and 100 to private bank employees), 200 respondents in Malwa region (100 to public bank employees and 100 to private bank employees), and 200 respondents in Doaba region (100 to public bank employees and 100 to private bank employees). Thus, in this way, total 600 questionnaires were distributed personally among the respondents. Out of them, only 524 of the returned questionnaires were without discrepancies and thus, found suitable for the final analysis. The detailed overview of the sample is shown in Table 1.

Table 1

Sample Overview

N=524

Region	Type of Bank		Total
	Public Bank	Private Bank	
Majha	88	81	169
Malwa	93	89	182
Doaba	86	87	173
Total	267	257	524

Source : Primary Data

Tools of Analysis

Descriptive statistics, Cronbach Alpha, factor analysis through principal component method with varimax rotation and inter-factor correlation is used in this study. However, before using factor analysis, it is necessary to test either the data collected is suitable for factor analysis or not. The suitability of factor analysis is determined from numerous measures such as Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy, Bartlett Test of Sphericity, Eigen Values and Percentage of Variance. Statistical Package for Social Sciences (SPSS) version 16.0 for windows has been used to complete the statistical analysis.

SECTION 3

RESULTS AND DISCUSSIONS

This section highlights the reliability analysis, KMO and Bartlett's Test, factor analysis, rotated component matrix and naming of factor.

Reliability Analysis of 'Compensation Practices in Banks'

Before exploring the determinants of compensation practices in banks, it is necessary to check the reliability of the variables. Table 2 presents the results of reliability analysis of the variables. The overall reliability of compensation practices is noticed to be 0.908. It is also recommended that alpha coefficient should be 0.7 or above (Nunnally, 1978). Thus, it is concluded from the reliability analysis that the instrument is highly reliable for continuing the study.

Table 2
Reliability Analysis

HR Practice	No. of Items	Cronbach Alpha (α)
Compensation Practice	37	0.908

Source : Primary Data

KMO and Bartlett's Test

The accuracy of factor analysis is assessed by investigating sampling adequacy through KMO (Kaiser-Meyer-Olkin) measure of sampling adequacy and examining the significance of Bartlett Test of Sphericity as shown in Table 3. The KMO value of the statistics is 0.911 (>0.5) which is considered good (Kaiser H., 1974). The Bartlett's Test results the approximate chi-square value 11594.15 with $df = 666$ and $p \leq 0.000$ which shows that the correlation matrix is not an identity matrix.

Table 3
KMO and Bartlett's Test

N = 524

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.911
Bartlett's Test of Sphericity	Approx. Chi-Square	11594.15
	df	666.000
	Sig.	0.000

Source : Primary Data

Factor Analysis for 'Compensation Practices in Banks'

After examined the sampling adequacy, factor analysis is carried out to investigate the linear relationship of some underlying factors. Thus, this section is devoted to the results of data analysis to explore the determinants of compensation practices in banks. For this purpose, factor analysis has been used which controls the level of dimensions and reduces the data for further analysis. It is obtained with the help of principal component method and rotated component matrix. Table 4 shows the eigen values, per cent age of variance and cumulative variance explained by thirty-seven variables. The factors with an eigen value more than 1.00 are retained according to the Kaiser rule (Kaiser, 1960). Thus, six factors comes out which illuminates 61.683 per cent of total variance (>60%) (Hooper, 2012). The first factor accounts for 30.149 per cent of variance, the second factor 14.538 per cent, third factor 6.872 per cent, fourth factor 3.698 per cent, fifth factor 3.298 per cent and the sixth factor 3.128 per cent of variance respectively. All the residual factors are not influential. It means that near about 62 per cent of information is retained by the six factors and approximately 38 per cent of information is lost out of the thirty-seven original variables.

Table 4
Factor Analysis for 'Compensation Practices in Banks'

N = 524

Variables	Initial Eigen Values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
V1	11.155	30.149	30.149	11.155	30.149	30.149
V2	5.379	14.538	44.687	5.379	14.538	44.687
V3	2.543	6.872	51.559	2.543	6.872	51.559
V4	1.368	3.698	55.257	1.368	3.698	55.257
V5	1.220	3.298	58.555	1.220	3.298	58.555
V6	1.158	3.128	61.683	1.158	3.128	61.683
V7	0.979	2.647	64.33			
V8	0.878	2.372	66.702			
V9	0.837	2.261	68.963			

Contd.

Contd. Table 4

V10	0.829	2.242	71.205			
V11	0.775	2.095	73.300			
V12	0.728	1.969	75.269			
V13	0.636	1.720	76.989			
V14	0.630	1.701	78.690			
V15	0.595	1.609	80.299			
V16	0.565	1.527	81.827			
V17	0.538	1.454	83.281			
V18	0.491	1.326	84.607			
V19	0.470	1.270	85.877			
V20	0.435	1.176	87.054			
V21	0.424	1.145	88.199			
V22	0.414	1.118	89.317			
V23	0.394	1.066	90.383			
V24	0.367	0.991	91.374			
V25	0.347	0.937	92.311			
V26	0.327	0.884	93.195			
V27	0.313	0.846	94.041			
V28	0.296	0.799	94.840			
V29	0.293	0.792	95.632			
V30	0.27	0.729	96.361			
V31	0.242	0.654	97.015			
V32	0.225	0.609	97.624			
V33	0.207	0.56	98.184			
V34	0.197	0.531	98.715			
V35	0.177	0.477	99.193			
V36	0.153	0.413	99.606			
V37	0.146	0.394	100			

Source : Primary Data

Rotated Component Matrix

Table 5 depicts the rotated component matrix which shows the factor loadings of all the compensation variables. If we notice the 1st row, we can see that among all the six factors, C1 has the highest factor loading (0.771), it means the first variable is assigned to the first factor. Thus, in this way, it is discovered that C1 factor accumulates V1, V2, V3, V4, V5, V6, V7, V8, V9, V10, V11, V12, V13, V14 and V15 variables. C2 factor engulfs V16, V17, V18, V19, V20, V21, V22, V23, V24 and V26 variables. C3 factor covers V30, V31, V32, V33 and V34 variables. C4 factor includes V25, V27, V28 and V37 variables. C5 factor is the combination of V35 and V36 variables. C6 comprises only one variable i.e. V29.

Table 5

Rotated Component Matrix

N = 524

Variables	C1	C2	C3	C4	C5	C6
V1	0.771	-0.094	0.046	0.195	0.116	-0.044
V2	0.848	-0.039	0.093	0.175	0.083	-0.067
V3	0.742	-0.170	0.235	0.064	0.004	-0.056
V4	0.809	-0.060	0.119	0.025	-0.019	-0.014
V5	0.754	-0.027	0.140	0.081	0.069	-0.090
V6	0.733	-0.101	0.203	0.240	0.108	0.030
V7	0.811	-0.011	0.183	0.073	0.102	-0.006
V8	0.803	-0.081	0.203	-0.003	0.110	0.042
V9	0.750	-0.049	0.054	0.237	0.095	0.125
V10	0.697	-0.038	-0.014	0.374	0.105	0.164
V11	0.690	-0.014	0.054	0.368	0.026	0.108
V12	0.546	0.018	0.020	0.297	0.288	0.217
V13	0.696	-0.018	0.182	-0.157	0.063	0.238
V14	0.758	0.147	0.141	-0.199	0.099	0.098
V15	0.785	0.077	0.206	-0.113	0.024	0.083
V16	-0.024	0.709	0.140	0.068	-0.087	0.179
V17	-0.025	0.766	0.048	-0.005	-0.166	0.025
V18	-0.113	0.726	0.066	0.057	-0.120	-0.056

Contd.

Contd. Table 4

V19	0.011	0.714	-0.001	0.046	0.124	-0.128
V20	-0.084	0.754	-0.047	0.124	0.049	-0.090
V21	-0.319	0.641	-0.014	0.156	-0.163	0.131
V22	0.009	0.755	-0.227	-0.027	0.164	-0.023
V23	0.054	0.745	-0.201	-0.069	0.085	-0.043
V24	0.192	0.484	0.065	0.099	0.196	-0.421
V25	0.022	0.422	-0.016	0.537	0.076	-0.209
V26	-0.050	0.530	0.070	0.355	-0.006	-0.467
V27	0.182	0.121	0.343	0.594	-0.030	0.041
V28	0.175	0.105	0.228	0.597	-0.007	0.255
V29	0.292	-0.018	0.161	0.321	0.091	0.612
V30	0.297	0.042	0.660	0.124	-0.110	0.167
V31	0.242	0.042	0.747	0.160	0.017	-0.062
V32	0.322	-0.177	0.622	0.196	0.337	0.085
V33	0.163	-0.126	0.685	0.106	0.196	0.000
V34	0.245	-0.124	0.436	0.149	0.352	0.412
V35	0.217	-0.050	0.115	0.445	0.585	0.121
V36	0.244	0.087	0.148	-0.162	0.751	-0.048
V37	0.234	0.147	0.442	0.574	-0.019	-0.045

Source : Primary Data

Naming of Factors Signifying 'Compensation Practices in Banks'

Table 6 shows naming of factors, variables loaded on the factor, eigen values and percentage of variance explaining the respective factor. The names and descriptions of factors are shown below:

Factor 1 : Motivating Compensation System

The first factor is described as 'Motivating Compensation System' which explains 30.149 per cent of variance and eigenvalue is 11.155. It includes 'I am satisfied with bank's pay structure' with factor loadings 0.771, 'I am satisfied with pay I receive' with factor loadings 0.848, 'my pay reflects my standard of living' with factor loadings 0.742, 'my pay encourages me to improve the quality of my work'

with factor loadings 0.809, 'I understand how my salary is determined by the banks' with factor loadings 0.754, 'my pay package is competitive as compared to other banks' with factor loadings 0.733, 'my salary is fair for my responsibilities' with factor loadings 0.811, 'I am satisfied with my basic pay' with factor loadings 0.803, 'I am satisfied with dearness allowance I receive' with factor loadings 0.750, 'I am satisfied with city compensatory allowance I receive' with factor loadings 0.697, 'I am satisfied with house rent allowance' with factor loadings 0.690, 'I am satisfied with my travelling and conveyance allowance I receive' with factor loadings 0.546, 'my salary is based on how long I have been in the bank' with factor loadings 0.696, 'I am satisfied from raise in fixed pay received in past' with factor loadings 0.758 and 'overall I am satisfied with my fixed pay' with factor loadings 0.785. This implies that Factor 1 is a blend of fifteen original variables.

Factor 2 : Pay for Performance

Second factor is named as 'Pay for Performance' which explains 14.538 per cent of variance and eigenvalue is 5.379. It covers 'I will receive a reward if I do something to improve my work' with factor loadings 0.709, 'my compensation is based on bank's overall performance' with factor loadings 0.766, 'my salary is based on the quality of service I deliver to my customers' with factor loadings 0.726, 'I am satisfied with the overtime payment' with factor loadings 0.714, 'bank has a system of pay for service performance' with factor loadings 0.754, 'my increments are directly linked with individual performance' with factor loadings 0.641, 'my increments are directly linked with group/team performance' with factor loadings 0.755, 'my increments are directly linked with organizational performance' with factor loadings 0.745, 'bonuses are timely paid in my bank' with factor loadings 0.484 and 'overall I am satisfied with my increment' with factor loadings 0.530. It infers that Factor 2 is a combination of ten original variables.

Factor 3 : Provision of Social Security

It is the third factor which explains 2.543 per cent of variance and eigenvalue is 6.872. Variables like 'I am satisfied with group life insurance plans of my bank' with factor loadings 0.660, 'I am satisfied with health care plans of my bank' with factor loadings 0.747, 'I am satisfied with retirement plans of my bank' with factor loadings 0.622, 'I am satisfied from holiday home facility of my bank' with factor

loadings 0.685 and 'I am satisfied with gratuity at the time of leaving the bank' with factor loadings 0.436 are significantly loaded with this factor. This means that Factor 3 is a mixture of five original variables.

Factor 4 : Recognition

The fourth factor is named as 'Recognition' which elucidates for 3.698 per cent of variance eigen value is 1.158. It insignificantly loaded with variables like 'performance awards like cash, travel awards etc. are provided when I perform better' with factor loadings 0.537, 'I am satisfied with the benefits my organization extends to me' with factor loadings 0.594, 'benefits offered are in line with other organization' with factor loadings 0.597, and 'overall I am satisfied from the benefits provided' with factor loadings 0.574. It implies that Factor 4 is the blend of four original variables.

Factor 5 : Benefits to Deceased Employee

This is the fifth factor which explicates 3.298 per cent of variance and eigen value is 1.22. It comprises my bank reimburses the educational expenses of deceased employee's children' with factor loadings 0.585 and 'my bank reimburses the funeral expenses if the employee was died in harness' with factor loadings 0.751. This means that Factor 5 is the combination of two original variables.

Factor 6 : Educational Assistance

The sixth and the last factor is named as 'Educational Assistance' which explains 3.128 per cent of variance and eigen value is 1.158. It consists of only one variable 'I am satisfied with educational assistance provided to me and also to my wards' with factor loadings 0.612. It means that Factor 6 includes only one original variable.

Table 6

Naming and Description of Factors

N = 524

Variables	Factor Loadings
C1 Motivating Compensation System (Eigen Value = 11.155, % of Variance = 30.149)	
I am satisfied with bank's pay structure	0.771
I am satisfied with pay I receive	0.848
My pay reflects my standard of living	0.742
My pay encourages me to improve the quality of my work	0.809
I understand how my salary is determined by the banks	0.754
My pay package is competitive as compared to other banks	0.733
My salary is fair for my responsibilities	0.811
I am satisfied with my basic pay	0.803
I am satisfied with dearness allowance I receive	0.75
I am satisfied with city compensatory allowance I receive	0.697
I am satisfied with House Rent Allowance	0.69
I am satisfied with my travelling and conveyance allowance I receive	0.546
My salary is based on how long I have been in the bank	0.696
I am satisfied with raise in fixed pay received in past	0.758
Overall I am satisfied with my fixed pay	0.785
C2 Pay for Performance (Eigen Value = 5.379, % of Variance = 14.538)	
I will receive a reward if I do something to improve my work	0.709
My compensation is based on bank's overall performance	0.766
My salary is based on the quality of service I deliver to my customers	0.726
I am satisfied with the overtime payment	0.714
Bank has a system of pay for service performance	0.754
My increments are directly linked with individual performance	0.641
My increments are directly linked with group/team performance	0.755
My increments are directly linked with organizational performance	0.745

Contd.

Contd. Table 6

Bonuses are timely paid in my bank	0.484
Overall I am satisfied with my increments	0.53
C3 Provision of Social Security (Eigen Value = 2.543, % of Variance = 6.872)	
I am satisfied with group life insurance plans of my bank	0.66
I am satisfied with health care plans of my bank	0.747
I am satisfied with retirement plans of my bank	0.622
I am satisfied with holiday home facility of my bank	0.685
I am satisfied with gratuity at the time of leaving the bank	0.436
C4 Recognition (Eigen Value = 1.158, % of Variance = 3.698)	
Performance awards like cash, travel awards etc., are provided when I perform better.	0.537
I am satisfied with the benefits my organization extends to me	0.594
Benefits offered are inline with other organization	0.597
Overall I am satisfied with the benefits provided	0.574
C5 Benefits to Deceased Employees (Eigen Value = 1.22, % of Variance = 3.298)	
My bank reimburses the educational expenses of deceased employee's children	0.585
My bank reimburses the funeral expenses if the employee was died in harness.	0.751
C6 Educational Assistance (Eigen Value=1.158, % of Variance=3.128)	
I am satisfied with educational assistance provided to me and also to my wards.	0.612

Source : Primary Data

Inter-Factor Correlation

These factors are now analyzed with the help of inter-factor correlation. Table 7 presents the inter-factor correlation, overall mean and standard deviation (S.D.). The correlation between the factors varies from -0.119 to 0.715. Negative

correlation is found between factor C2 and C1, C2 and C3 and in C2 and C6. The results show that social security is the most important factor with respect to the compensation (mean = 3.412) whereas, pay for performance (mean = 2.753) is the least important factor. Standard Deviation ranges from ± 0.669 to ± 0.894 .

Table 7

Inter-Factor Correlations Between the 'Compensation Practices in Banks'

N = 524

Compensation Practices	Motivating Compensation System	Pay for Performance	Provision of Social Security	Recognition	Benefits to Deceased Employees	Educational Assistance
Motivating Compensation System	1					
Pay for Performance	-0.090*	1				
Provision of Social Security	0.536**	-0.119**	1			
Recognition	0.351**	0.335**	0.458**	1		
Benefits to Deceased Employees	0.415**	0.015	0.397**	0.273**	1	
Educational Assistance	0.400**	-0.002	0.715**	0.362**	0.182**	1
No. of Variables	15	10	4	5	2	1
Mean	3.096	2.753	3.412	3.245	2.970	3.366
S.D.	0.894	0.802	0.704	0.669	0.857	0.894

*** Correlation is significant at the 0.01 level (2-tailed)

** Correlation is significant at the 0.05 level (2-tailed)

* Correlation is significant at the 0.10 level (2-tailed)

SECTION 4

FINDINGS AND SUGGESTIONS

Thus, with the help of factor analysis, the data gets reduced from thirty-

seven variables to six factors, which can be used for further analysis. The factors are complete blend of compensation practices prevailing in the banks. Most of the respondents perceive that compensation procedure should be in line with competitors plan. It should be fair and motivating. Another important factor affecting compensation practice is 'pay for performance'. Respondents should be able to link salary, incentives, and benefits to their performance. There should also be a provision of social security in the compensation package in terms of gratuity and retirement plans. The compensation system should be in such a way that it gives recognition to the respondents. The respondents also perceive that the benefits to the deceased employees and their children should also form a part of compensation package of banks. The last important factor is educational assistance which is also an important element in the compensation plan. The respondents entail educational help for them and also for their children. Thus, the study explores six important determinants which make the compensation plan of the banks lucrative and competitive. Moreover, the study also reveals that the social security is the most significant factor out of all the explored factors.

References

- Abid, S. U.; and Tara, N. (2013), The Impact of Rewards on Employee Motivation, the Mediating Role of Office Design : Empirical Evidence from Hotel Industry of Pakistan, *IOSR Journal of Business and Management*, 7(6), pp. 46-51.
- Absar, M. M.; Sikder, Z. H.; Nimalathasan, B.; and Bhuiyan, M. M. (2010), Employee Compensation Practices in Industrial Enterprises of Bangladesh : A Public-Private Sector Comparison, *Petroleum-Gas University of Ploiesti Bulletin*, 62(4), pp. 1-11.
- Ali, R.; and Ahmed, M. S. (2009), The Impact Of Reward And Recognition Programs On Employee's Motivation And Satisfaction : An Empirical Study, *International Review of Business Research Papers*, 5(4), pp. 270-279.
- G. G. D. (2012), Study on Staff Development and Employee Welfare Practice and their Effect on Productivity in Five College Libraries in Charusat University, Gujarat, *Research Expo International Multidisciplinary Research Journal*, 2(2), pp. 193-195.
- Ghazanfar, F.; Chuanmin, S.; Khan, M. M.; and Bashir, M. (2011), A Study of Relationship between Satisfaction with Compensation and Work Motivation, *International Journal of Business and Social Science*, 2(1), 120-131.

- Hafiza, N. S.; Shah, S. S.; Jamsheed, H.; and Zaman, K. (2011), Relationship Between Rewards and Employees Motivation in the Non-Profit Organisation of Pakistan, *Business Intelligence Journal*, 4(2), pp. 327-334.
- Hair, J.; Black, W.; Babin, B.; Anderson, R.; and Tatham, R. (2005), *Multivariate Data Analysis*, New York : Prentice Hall.
- Hooper, D. (2012), Exploratory Factor Analysis. In D. Hooper, *Approaches to Quantitative Research – Theory and its Practical Application : A Guide to Dissertation Students*, Cork, Ireland: Oak Tree Press.
- Kaiser (1960), The Application of Electronic Computers to Factor Analysis, *Educational and Psychological Measurement*, 20, pp. 141-151.
- Kaiser, H. (1974), An Index of Factorial Simplicity, *Psychometrika*, 39, pp. 31-36.
- Khan, W.; and Mufti, O. (2012), Effect of Compensation on Motivating Employees in Public and Private Banks of Peshawar (BOK and UBL), *Journal of Basic and Applied Scientific Research*, 2(5), pp. 4616-4623.
- Misra, P. (2013), Compensation : Impact of Rewards on Employee Engagement and the role of Motivation in Retail Store Operations: A Study of Delhi and NCR, *Tenth AIMS International Conference on Management (AIMS-10)*, pp. 1237-1246, IIM Bangalore, India.
- Mitchell, H. K. (Ed.), (2011), *Multivariable Analysis : A Practical Guide for Clinicians and Public Health Researchers*, Cambridge University Press.
- Nandanwar, M.; Surnis, S.; and Nandanwar, L. (2010), Intervening Factors Affecting the Relationship between Incentives and Employee Motivation : A Case Study of Pharmaceutical Manufacturing Organisation in Navi Mumbai, *Journal of Business Excellence*, 1(2), 6-11.
- Nawab, S.; and Bhatti, K. K. (2011), Influence of Employee Compensation on Organizational Commitment and Job Satisfaction : A Case Study of Educational Sector of Pakistan, *International Journal of Business and Social Science*, 2(8), pp. 25-32.
- Nunnally, J. C. (1978), *Psychometric Theory* (2nd ed.), (M. Hill, Ed.) New York.
- Osborne, J. W.; and Waters, E. (2002), Four Assumptions of Multiple Regression that Researchers Should Always Test, *Practical Assessment, Research and Evaluation*, 8(2).
- Prasteya, A.; and Kato, M. (2011), Employees Perception Towards the Performance Assessment System and Salary System (A Case Study at Pt. Telekom Indonesia, Malang Regional Office), *International Proceedings of Economics Development and Research (IPEDR)*, 7, pp. 20-24, IACSIT Press, Singapore.
- Stevens, J. P. (2009), *Applied Multivariate Statistics* (5th ed.), Routledge, New York.

- Tabachnick, B. G.; and Fidell, L. S. (2000), Using Multivariate Statistics, New York : Harper & Row.
- Tahir, Y. K. (2011), A Comparison of Intrinsic and Extrinsic Compensation Instruments : The Case of National Bank of Pakistan (NBP), District Attock, Pakistan, *World Journal of Social Sciences*, 1(4), 195-206.
- Taylor, F. (1911), Principles of Scientific Management, New York and London : Harper and Brothers.
- Tiwari, P.; and Saxena, K. (2012), Human Resource Practices : A Comprehensive Review, *Pakistan Business Review*, pp. 669-705.
- Kanter, D. (1995), The Application of HR, *Human Resource Management*, 34, pp. 141-151.
- Kanter, H. (1974), An Index of Factorial Similarity, *Psychometrika*, 39, pp. 31-36.
- Khan, W.; and Akhtar, O. (2012), Effect of Compensation on Motivating Employees in Public and Private Banks of Pakistan (BOK and UBL), *Journal of Bank and Applied Scientific Research*, 3(2), pp. 4616-4623.
- Mohr, F. (2012), Compensation : Impact of Research on Employee Engagement and the Role of Motivation in Retail Store Operations: A Study of Tolly and HCR, *Journal of Management*, 38(1), pp. 137-156.
- Mitchell, H. K. (Ed.). (2011), *Multivariate Analysis: A Practical Guide for Clinicians and Public Health Researchers*, Cambridge University Press.
- Murphy, M.; Smith, S.; and Hershman, J. (2010), Intervening Factor Affecting the Relationship between Intrinsic and Employee Motivation : A Case Study of Pharmaceutical Manufacturing Organization in New Mexico, *Journal of Business Research*, 63, pp. 6-11.
- Nawab, S.; and Bhatti, K. K. (2011), Influence of Employee Compensation on Organizational Commitment and Job Satisfaction : A Case Study of Educational Sector of Pakistan, *International Journal of Business and Social Science*, 3(8), pp. 22-31.
- Nunnally, J. C. (1978), *Psychometric Theory* (2nd ed.), Mc Mill, Ed., New York.
- O'Leary, J. W.; and Waters, E. (2002), Four Assumptions of Multiple Regression that Researchers Should Always Test, *Personnel Research*, 8(2), pp. 35-50.
- Pandey, A.; and Kato, M. (2011), Employee Perceptions Towards the Performance Assessment System and Salary System : A Case Study at P. Telecom Industries, Making Regional Office, International Proceedings of Knowledge Development and Research (IPKDR), 7, pp. 30-34, IACST Press, Singapore.
- Stevens, J. P. (2009), *Applied Multivariate Statistics* (7th ed.), Routledge, New York.