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# Psychological Empowerment and Monetary Compensation: The Mediating Role of Intrinsic Motivation in the Banking Industry of Developing Country

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### ABSTRACT

Psychological empowerment (PE) and monetary compensation are necessary rudiments of stimulation for individuals to utilize their potential and exert full efforts. This particular research aims to assess the influence of PE and monetary compensation on work performance and the mediation effect of intrinsic motivation between PE and work performance among employees of commercial banks. Data was collected from employees of different commercial banks located in the federal capital territory (FCT) Islamabad and Rawalpindi city of Punjab, Pakistan, through a questionnaire, and structural equational modeling (SEM) was executed on a sample of 388 employees to test the hypotheses. We used AMOS for data analysis and the results exposed that PE and monetary compensation positively significantly affect the work performance of individuals, but monetary compensation is a stronger predictor than PE. Similarly, intrinsic motivation exhibited partial mediation between the association of PE and monetary compensation with work performance among commercial bank employees. Current research provided the theoretical and practical implications for organizations, particularly in the banking sector. This research extends the PE and expectancy theory and the combination of both theories is recommended in the context of psychological autonomy and financial remuneration. Moreover, organizations should provide performance-based rewards and enhance individual empowerment to make decision-making for better work performance.

Psychological empowerment (PE) can increase the motivation of individuals, have a favorable effect on their level of achievement, and assist in the performance of the organization; for example, PE for individuals and organizations affects employee engagement and the chance of lowering staff burnout (Azlan & Wahab, 2020; Permarupan et al., 2020; Thibault Landry & Whillans, 2018). Effective people and organizations depend on the presence of capable leaders, when employees are empowered with autonomy, they feel competent and perform better in their roles for the betterment of the organization (Turnipseed & VandeWaa, 2020; Wallace et al., 2021). PE did not substantially influence emotional intelligence, leader-member exchange, and job outcome (Ardabili, 2020). The impact as well as meaning, elements of PE get embedded in the intrinsic motivation of employees resulting from the satisfying of fundamental psychological needs, and employees take on additional responsibilities that benefit the company (Martela & Pessi, 2018; Turnipseed & VandeWaa, 2020).

Elements of PE were discovered as predictors of employee performance, as part of its efforts to motivate employees, the organization should concentrate on deploying empowerment programs (Rania et al., 2021). PE promotes the connection between structural empowerment and work engagement, which automatically enhances employees' work performance (Monje Amor et al., 2021; Yasir et al., 2023). In an organization leader-member exchange relation is prevailing, PE and outcomes positively impact each other along with the leader-member exchange relation (Hill et al., 2014). PE mediates the relationship between transformational leadership and follower creativity at work, which improves employee performance (Yücel & Richard, 2013). PE and role clarity positively affect service recovery performance, thus enhancing organizational outcomes (Alagarsamy et al., 2023; Monje Amor & Calvo, 2023; Nadiri & Tanova, 2016). The necessity for innovation affects individual innovation prerequisites by effectively enabling staff in the best manner so that work performance can be impacted positively for the sake of organizational competitive advantage (Audenaert et al., 2017). Employees' affective commitment can be greatly increased when they experience the PE that comes from working under genuine leadership, but particularly commercial banks face a high attrition rate (Devi, 2020; Yousaf & Ul Hadi, 2020).

This research aims to analyze the concerns of employees working in commercial banks in developing countries. Employees of commercial banks faced several problems, such as concerns related to PE while performing their duties, competitive monetary compensation compared to working hours, and intrinsic motivation. Previously, research on banking employees was confined to specific areas, but very little research has been carried out in the context of psychological empowerment, monetary compensation, and intrinsic motivation. We are proposing a model for banking employees to enhance work performance.

## **Literature Review and Hypotheses Development**

### ***Theoretical Background***

The theory of PE describes a variety of facets and that workers feel empowered when the psychological state of workers has the potential to enhance overall intrinsic motivation and integration of PE and motivation theories is recommended (Quinn & Spreitzer, 1999; Mishra & Spreitzer, 1998; Wilkinson, 1998). According to Thomas and Velthouse (1990), PE is expressed as improved intrinsic motivation. Despite that concept is generally recognized, the following research revealed little proof to support the link of PE with intrinsic task motivation.

The theory of PE should be paired with motivation theories (Seibert et al., 2011). However, the cognitive method of PE with employee performance and imaginative thinking has been utilized to clarify (Amabile, 1996; Thomas & Velthouse, 1990). Expectancy theory (Vroom, 1964), as well as its derivatives (e.g., Naylor et al., 1980), have their roots in cognition, and they hold that employees are rational decision-makers who have the motivation to act in ways that produce the rewards they genuinely seek. Such viewpoints generally imply that workers are conscious of the benefits they desire in addition to the connections between their efforts, work performance, desired results, and need fulfillment. The idea that motivation is a process by which individuals direct their energy towards behaviors that maximize the satisfaction of their wants is another assumption. Intrinsic work motivation has been expressed as the degree to which a person is interested in and engaged in the activity for the task's own sake (Ambrose & Kulik, 1999). Managers' empowerment activities, such as giving their staff members more access to information and resources with the capability to make decisions, are referred to as "objective behaviors" for managing empowerment (Lee & Koh, 2001).

### **Psychological Empowerment and Work Performance**

PE is associated with work performance and employees who are empowered tend to show positive work performance and create valuable paths for the organization comparatively to those employees who are not psychologically empowered (Blaique et al., 2023; Ochoa Pacheco et al., 2023; Sessions et al., 2021; Tuuli & Rowlinson, 2009b). When organization leaders show full participative behavior, it leads to better task performance of individuals along with the facilitation of PE, which makes effective relation between these two build and psychologically empowered individuals reveal optimistic performance (Gottman et al., 1998; Juyumaya et al., 2021). Employees exhibit much more positive performance while working in the organization when they are fully psychologically empowered in managing their skills related to the respective tasks they are going to perform in an organization (Juyumaya et al., 2021; Zhai et al., 2023). When there is a climate of empowerment, especially PE, in the organization, individual task-related performance is impacted partly and positively (Tuuli & Rowlinson, 2009a). The organizational context can enhance the implementation of an authentic appraisal system and PE along with the job satisfaction and task performance of employees (De Souza & Beuren, 2018). PE not only enhances performance but also promotes creativity among employees, but the presence of inequality and gender stereotypes within various professions have different consequences (Chiang et al., 2015; Hainneville et al., 2023; Llorente-Alonso et al., 2023; Monje Amor et al., 2021). Therefore, based on the literature review, the following hypothesis is formulated:

**H1:** Psychological empowerment has a positive significant influence on work performance.

### **Monetary Compensation and Work Performance**

Compensation is linked with individual performance and proper implementation of an employee compensation strategy increases productivity with high performance (Hesford et al., 2020; Sharma & Sharma, 2020). Introducing monetary compensation packages in the workplace enhances employee organizational commitment, satisfaction, and work performance in a significant manner and leads to high profit with organizational growth (Sharma & Sharma,

2020; Taras, 2012). Monetary compensation is mostly associated with and applied to have high financial performance in the firm to attain a high competitive advantage (Ahmad et al., 2020; Chen & Hassan, 2022; Tumi et al., 2022). Implementation of internal audit provides useful information for the organization concerning maintaining business processes related to monetary compensation and benefits for significant impact on organizational performance by maintaining the human resource functions in the best possible manner (Berber et al., 2012). Whoever completes the goals in time monetary compensation will be given to them as a reward, automatically making them perform in their best possible manner (Marston, 1928; Zaeni et al., 2022). Thus, the following hypothesis is suggested:

**H2:** Monetary compensation has a positive significant influence on work performance.

### ***Psychological Empowerment and Intrinsic Motivation***

PE was conceptualized as intrinsic motivation, which in turn affects employee belief in showing certain organizational outcomes along with the leader's delegation to work (Van Dierendonck & Dijkstra, 2012; Wen et al., 2023). Organizational effectiveness depends upon the PE of superiors, which enhances intrinsic motivation and makes them clear to take greater responsibility for the betterment of the firm, and authentic leadership has greater influence in this regard (Barton & Barton, 2011; Hahm, 2018; Zhang & Bartol, 2010). Organizational empowerment is completely associated with job satisfaction, psychological empowerment, work performance, and affective commitment, but superiors or management must try their best to empower employees so that long-term competitive advantage can be achieved by the organization (Kazlauskaitė et al., 2011; Kundu & Kumar, 2017). Moreover, bringing out good service quality along with PE service orientation moderates the relationship between PE and service performance, but women entrepreneurs in various geographical regions demonstrate various levels of empowerment (Abdelmajid Al-Maaitah, 2019; Aryee et al., 2012). When PE and intrinsic motivation are present in the most suitable and effective form, transformational leaders have a much more constructive and stronger relationship with innovative work behavior that enhances work performance (Bin Saeed et al., 2019). Therefore, the following hypothesis is derived:

**H3:** Psychological empowerment has a positive significant influence on intrinsic motivation.

### ***Monetary Compensation and Intrinsic Motivation***

Compensation is a useful strategy to win support and draw out significant outcomes from the staff in different areas of the organization where intrinsic motivation or any other motivational scheme is absent due to a lack of support (Frey et al., 1997). Clearly defined goals with detailed information stimulate individuals to benefit from monetary compensation by timely meeting the goals (Huang et al., 2022; Marston, 1928). When employees are highly motivated and satisfied with their work, then they can be the source of corporate success and monetary compensation to make the employees more devoted to their work properly, thus moving the organization towards the road successfully (Hahn, 2009; Marston, 1928; Sharma & Sharma, 2020). Workers who apply for public sector jobs are intrinsically motivated through monetary compensation (Dhillon et al., 2017; Fishbach & Woolley, 2022; Gicheva, 2022; Leitão et al., 2022). Monetary compensation should be initiated to work efficiently in the organization to

motivate employees intrinsically (van Herpen et al., 2005). Therefore, based on the literature review, the following hypothesis is formulated:

**H4:** Monetary Compensation has a positive significant influence on intrinsic motivation.

*Intrinsic Motivation and Work Performance*

To maintain elements of constructive deviance in an organization's intrinsic motivation, PE plays a vital role, which in turn enhances work performance, thus leading the organization to achieve a high competitive advantage, and employee's intrinsic motivation is enhanced through authentic leadership (Hahm, 2018; Vadera et al., 2013). Various categories of intrinsic rewards including monetary compensation, work-life balance, and good performance management systems, are introduced to attract, retain, and motivate employees so that employees feel at ease and can provide the best outcome (Good et al., 2022; Kotera et al., 2023; Li et al., 2022; Loftus, 2013). Implementation of customized motivation programs stimulates employees intrinsically and extrinsically, along with the effective influence of PE to enhance the work performance of employees (Berraies & Chouiref, 2023; Glaveli & Karassavidou, 2011; Jiang et al., 2023; Zhang et al., 2019). Organizations are required to emphasize individual-related concerns on priority with appropriate solutions to increase work satisfaction in any circumstance in order to utilize their full efforts for better performance (Zaheer et al., 2022). Therefore, the following literature leads toward the following hypothesis:

**H5:** Intrinsic motivation has a positive significant influence on work performance.

### ***Intrinsic Motivation as a Mediator***

If organization leaders have an empowering attitude, then the PE of employees is increased inevitably, which in turn influences intrinsic motivation among employees, thus enhancing productivity (Zhang & Bartol, 2010). The climate of empowerment of the individuals increases work satisfaction and task performance, but mediation of PE strengthens the relation of both variables (Ochoa Pacheco & Coello-Montecel, 2023; Seibert et al., 2004). When psychological support to the employees is low in the organizations, then the relation between empowerment and job performance becomes weaker, and the person and organization fit to have a partial influence on role performance but gets significantly influenced when mediated by PE (Gregory et al., 2010; Stan et al., 2012). When leaders in an organization empower employees to perform their tasks much better, psychological leadership fully mediates the relationship between participative leadership and the performance of employees (Huang, 2012; Kundu et al., 2019). Furthermore, employees' PE is directly associated with intrinsic motivation and autonomy, which increases the worker's ability to creativeness resulting in enhanced performance; when an organization cooperates with both organizational justice and compensation, then employee turnover intention is decreased along with enhancement of work satisfaction and performance (Hahm, 2018; Misra et al., 2013). Therefore, two subsequent hypotheses were formulated:

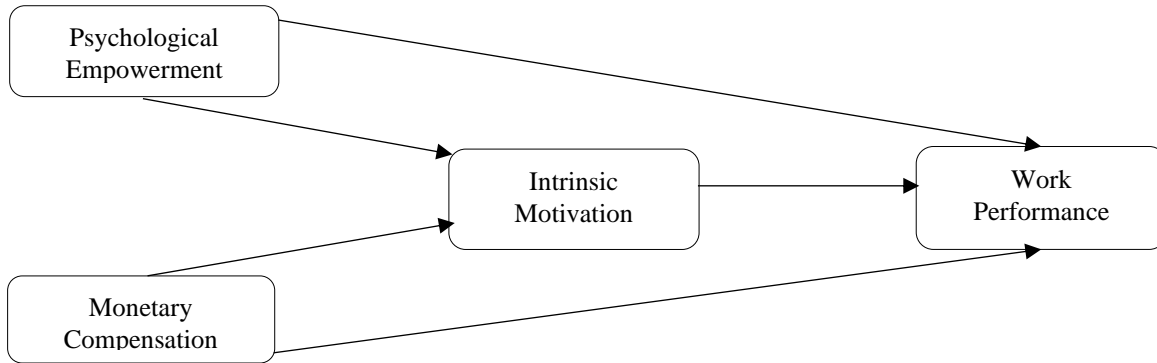
**H6:** Intrinsic motivation mediates the relationship of psychological empowerment with work performance.

**H7:** Intrinsic motivation mediates the relationship of monetary compensation with work performance.

The relationship of various variables is shown in [Figure 1](#).

**Figure 1**

*Research Model*



## Method

The study focused on the employees of commercial banks in Pakistan's two cities, Islamabad and Rawalpindi. According to the State Bank of Pakistan, there are more than 1000 branches of commercial banks located in this region. We performed convenience sampling and gathered the data from various commercial banks through a self-administered questionnaire. The final sample of 388 respondents was included, of which 39.7% were female, and 60.3% were male, as demonstrated in [Table 1](#). Similarly, 48.7% were undergraduate and 51.3% were postgraduate participants. Moreover, [Table 1](#) shows the experiences of employees: those with 1 to 4 years of experience were 35.1%, those with 5 to 8 years of experience were 19.3%, those with less than one year of experience were 32.7%, and those with more than eight years of experience were only 12.9%. Furthermore, 52.3% were between the ages of 26 and 40, 43% were between the ages of 25 or under, and 4.6% were over 40.

**Table 1**

*Demographic Characteristics*

Characteristics	Frequency	(%)
<b>Gender</b>		
Female	154	39.7
Male	234	60.3
<b>Age Group</b>		
25 years or under	167	43.0
26–40 years	203	52.3
Above 40 years	18	4.6
<b>Qualification</b>		
Undergraduate	260	67.0
Graduate	128	33.0
<b>Experience</b>		
Less than year	127	32.7
1 to 4 years	136	35.1
5 to 8 years	75	19.3
Above 8 years	50	12.9

## Instruments

This study used reliable metrics that were state-of-the-art at the time. Spreitzer's (1995) twelve items are used to evaluate psychological empowerment and the sample items are 'My job activities are personally meaningful to me' and 'The work I do is very important to me'. Moreover, monetary compensation is assessed using six items from (van Herpen et al., 2005), and the sample items are 'The way in which my salary is determined is fully clear to me' and



‘I find the compensation system to be fair’. Similarly, six items of intrinsic motivation and ten items of work performance were taken from Kuvaas and Dysvik (2009); for example, the sample items are ‘My job is so interesting that it is a motivation in Itself’ and ‘I almost always expend more than an acceptable level of effort’. Furthermore, the details of all items are given in Appendix and measured on a 5-point Likert scale ranging from strongly disagree = 1 to strongly agree = 5.

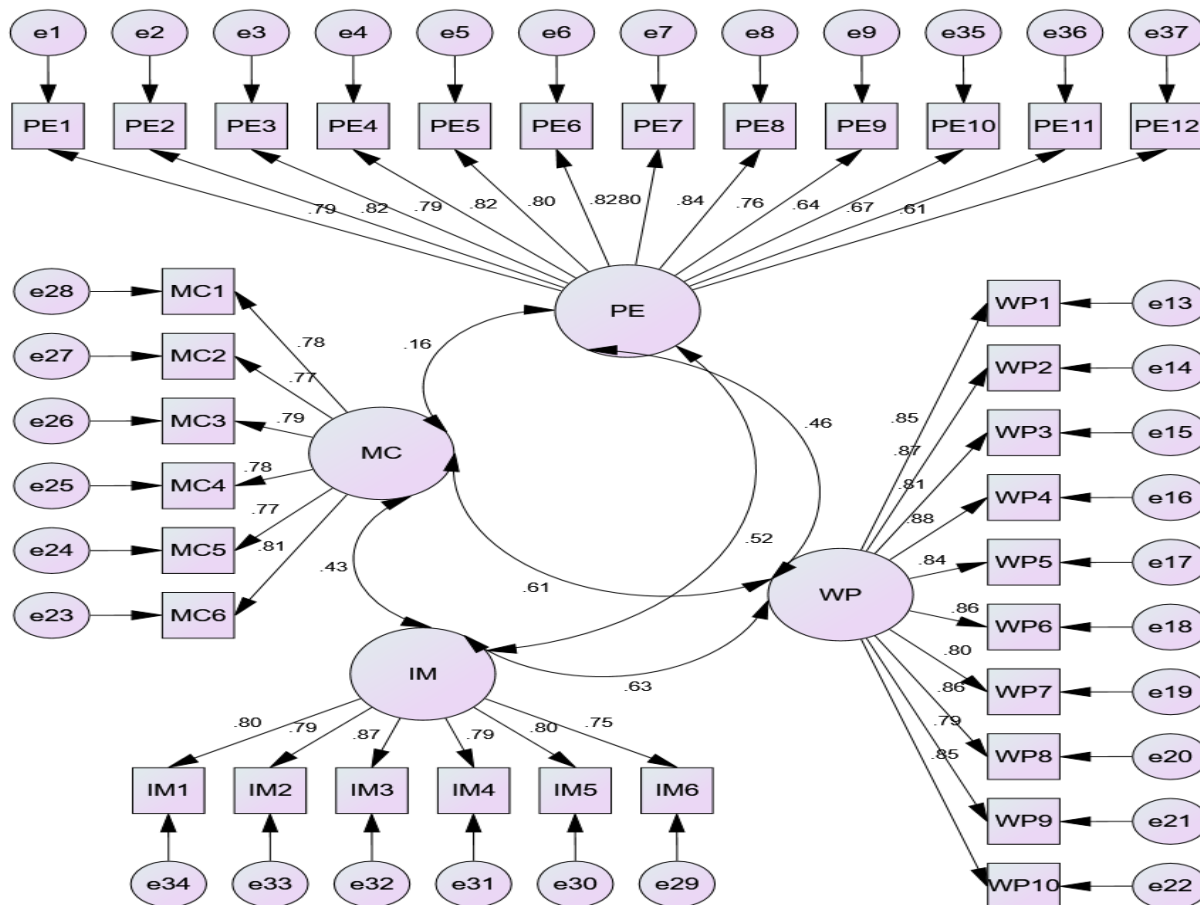
## Results

### Measurement and Validity

Structural Equation Modeling (SEM) is a technique commonly employed to analyze data. In the present study, the Confirmatory Factor Analysis (CFA) was performed to evaluate the reliability of the measuring tool, and the factor loadings are shown in the path analysis below. The Average Variance Extracted (AVE) and Construct Reliability (CR) of all variables were measured. Validity was determined by a factor loading of each item that was higher than or equal to .50, as stated by Cua et al. (2001). All items of psychological empowerment, monetary compensation, intrinsic motivation, and work performance have factor loading greater than .50 displayed in the path diagram in Figure 2; 17 items were deemed valid. The validity of the instrument is indicated by an Average Variance Extracted (AVE) value higher than .50, as proposed by Fornell and Larcker (1981).

Figure 2

Path Diagram of Valid Items



## Descriptive Statistics, Reliability, and Correlation Analysis

Descriptive statistics are presented in Table 2, including the correlation, mean, and standard deviation of all variables. These data provide insight into the mean values of psychological empowerment, monetary compensation, and intrinsic motivation, which are crucial elements in determining the work performance of individuals. The correlation study revealed a positive association among all variables. The reliability of all variables was assessed, and the values of Cronbach's Alpha are reported in Table 2. Specifically, the PE variable exhibited a reliability coefficient of .94, the monetary compensation variable had a coefficient of .90, the intrinsic motivation variable had a coefficient of .91, and the work performance variable had a coefficient of .96. These coefficients fall within the recommended range of .70 – .90, indicating that the results are deemed reliable (Hair et al., 2019).

**Table 2**

*Descriptive Statistics, Reliability, and Pearson Correlation Analysis*

Variable	<i>M</i>	<i>SD</i>	PE	MC	IM	WP
PE	3.41	.90	(.94)			
MC	3.34	.85	.14**	(.90)		
IM	3.58	.84	.48**	.39**	(.91)	
WP	3.69	.97	.45**	.57**	.59**	(.96)

Note. *n* = 388, PE = Psychological Empowerment, MC = Monetary Compensation, IM = Intrinsic Motivation, and WP = Work Performance. \*\**p* < .001. Correlation is significant at the .001 level

## Structural Equation Modeling

**Model Fitness Index** The study conducted by Steenkamp and Baumgartner (2000) utilizes the CFA approach to assess the efficacy of latent variables by identifying their strengths and weaknesses. The psychometric qualities often encompass several statistical measures, including the Chi-Square, Root Mean Square Error of Approximation (RMSEA), Goodness-of-Fit Statistic (CMIN/DF), Tucker-Lewis Index (TLI), Comparative Fit Index (CFI), Goodness-of-Fit Index (GFI), and Adjusted Goodness-of-Fit Index (AGFI). The model would be considered to be adequately fitting if the RMSEA value were equal to or below .08. Furthermore, it is essential to note that the values of the CFI, AGFI, GFI, and TLI should ideally be closer to or exceed .95. According to Doll et al. (1994), AGFI and GFI values of .80 or above represent a reasonable match. Additionally, the ratio of Chi-Square to Degrees of Freedom (CMIN/DF) should fall within the range of 3.0 to 5.0, as suggested by Bentler and Bonett (1980) and Hu and Bentler (1999). The direct and indirect effects of the model fitness index are displayed in Table 3.

**Table 3**

*Model Fit Index*

Indexes of fit factors	Direct effects	Indirect effects values
Chi-square/df	2.61	2.32
AGFI	0.83	0.82
TLI	0.93	0.93
RMSEA	0.06	0.05
GFI	0.83	0.84
CFI	0.93	0.93
NFI	0.90	0.90

## Direct Effects

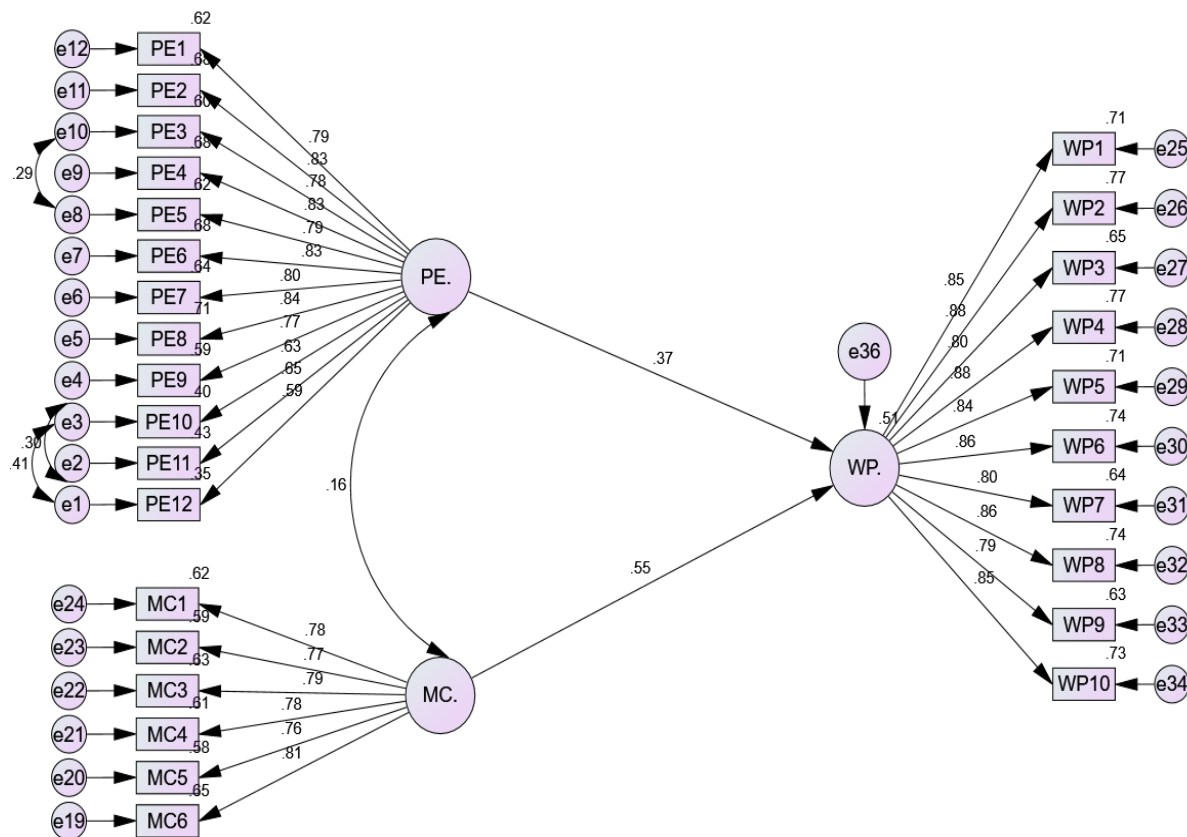
The present study employed structural equation modeling to investigate the direct and indirect effects, including intrinsic motivation. Our study hypotheses H1 and H2 revealed that PE significantly positively affects work performance ( $\beta = .36, p < .001$ ) of individuals. PE from a



side hustle has a significant effect on the work performance of employees (Sessions et al., 2021). Similarly, monetary compensation has a significant positive effect on work performance ( $\beta = .55, p < .001$ ), as shown in Table 4 and Figure 3. Therefore, it supports hypotheses H1 and H2; hence, these are accepted. Moreover, monetary compensation has a significant positive impact on intrinsic motivation (van Herpen et al., 2005).

**Figure 3**

*Direct Effect Without a Mediator*



**Table 4**  
*Direct Effects*

Relationship	$\beta$	SE	CR	p	Hypothesis Support	Multicollinearity Diagnostics Tolerance	VIF
PE → WP	.36	.07	7.47	.000	H1 Supported	.97	1.02
MC → WP	.55	.05	11.35	.000	H2 Supported	.97	1.02

Note. PE = Psychological Empowerment, MC = Monetary Compensation, IM = Intrinsic Motivation and WP = Work Performance

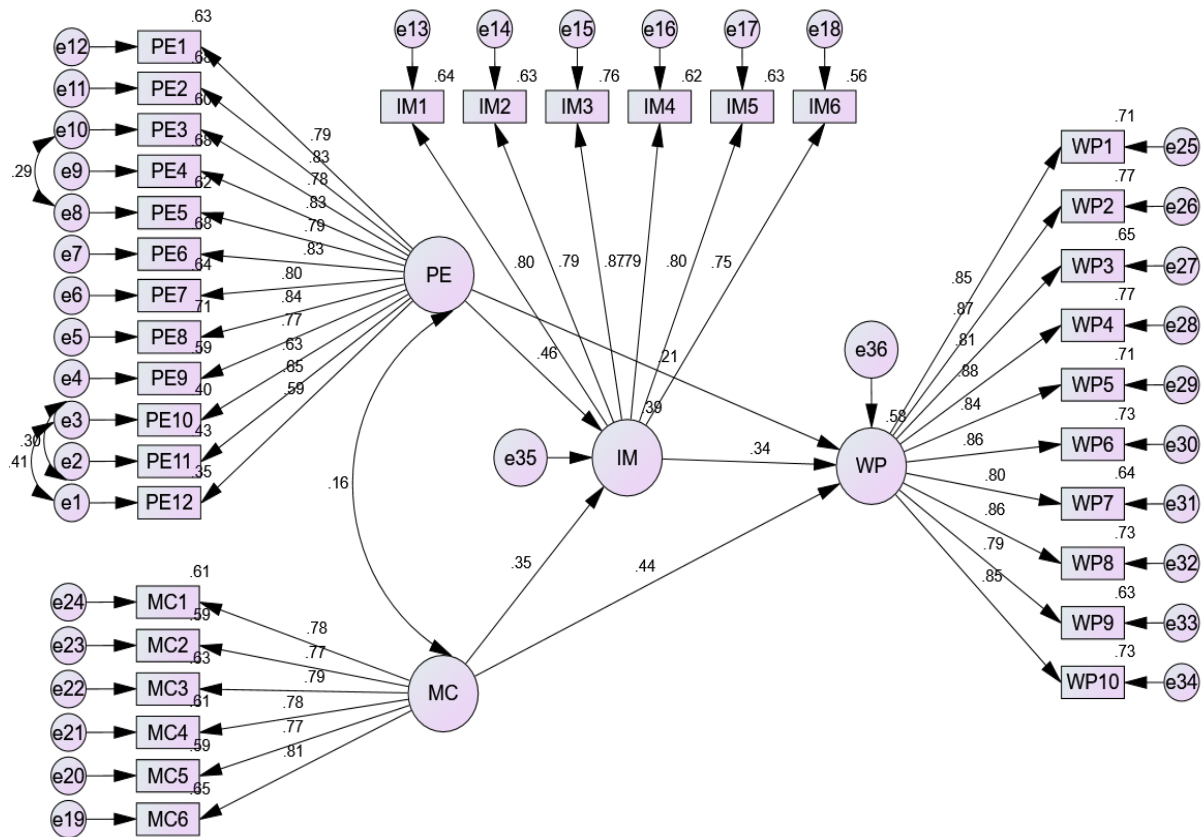
**Indirect Effects**

Intrinsic motivation exhibited partial mediation in both relationships, i.e., between monetary compensation and work performance, as well as PE and work performance. PE significantly positively impact intrinsic motivation ( $\beta = .46, p < .001$ ), which is also consistent with previous study that PE has a significant relation with intrinsic motivation (Abd-El-Salam et al., 2013). Similarly, monetary compensation significantly positively impacts intrinsic motivation ( $\beta = .35, p < .001$ ), and intrinsic motivation also has a significant positive effect on the work performance of individuals ( $\beta = .33, p < .001$ ), respectively, as shown in Table 5 and Figure 4. So, it supports H3, H4, and H5, hence these are accepted. When monetary compensation is given to employees,

their internal motivation to work in their best manner is increased, thus increasing the chances of the organization's competitive advantage (Misra et al., 2013).

**Figure 4**

*Indirect Effect with a Mediator (Intrinsic Motivation)*



**Table 5**  
*Indirect Effects*

Relationship	$\beta$	SE	CR	p	Hypothesis Support	Multicollinearity Diagnostics	
						Tolerance	VIF
PE $\rightarrow$ IM	.46	.06	7.97	.000	H3 Supported	7.61	1.31
MC $\rightarrow$ IM	.35	.04	7.14	.000	H4 Supported	0.84	1.19
IM $\rightarrow$ WP	.33	.06	6.40	.000	H5 Supported	0.65	1.52

Note. PE = Psychological Empowerment, MC = Monetary Compensation, IM = Intrinsic Motivation and WP = Work Performance

**Comparison of Direct and Indirect Effects**

Similarly, the inclusion of intrinsic motivation reduced  $\beta$  coefficient value in both relationships, i.e., PE and monetary compensation with the work performance of employees. So therefore, it showed that intrinsic motivation partially mediates the associations of PE and monetary compensation with work performance. So, it supports H6 and H7; hence, these are accepted, and detail is mentioned in Table 6. Intrinsic motivation and performance ability mediate the relationship between PE and task performance (Tuuli & Rowlinson, 2009b).

**Table 6**  
*Comparison of Direct and Indirect Effects*

Relationship	Direct Estimate ( $\beta$ )	p	Indirect Estimate ( $\beta$ )	P Value	Hypothesis Support
PE $\rightarrow$ WP	.36	.000	.21	.000	H6 Supported
MC $\rightarrow$ WP	.55	.000	.43	.000	H7 Supported

Note. PE = Psychological Empowerment, MC = Monetary Compensation, IM = Intrinsic Motivation and WP = Work Performance

## Discussion

A leader's moral competence is crucial for improving task performance and organizational citizenship behavior, which are mediated PE and preserve organizational productivity (Kim & Kim, 2013). Our first hypothesis was supported and revealed that PE is a strong predictor of individual work performance in financial institutions. Implementation of a high-performance work system along with the element of information exchange to enhance the performance of employees is effective, but a proper authentic performance management system has a chief role in this scenario (Chiang et al., 2015; De Souza & Beuren, 2018). The influence of PE on perceived workload is much stronger in a positive manner, which inevitably has a significant impact on task performance PE acts as a facilitator between the relationship of agile practices of team autonomy and innovative work behavior, which have noteworthy relation with each other (Liu et al., 2020; Malik et al., 2021). Components of PE fully interceded between the relationship of high-performance work system and perception of quality of care to the customers, which means employees' work performance or their dealing with customers. Similarly, PE partially intervenes in the relationship between empowerment climate and high-performance work system (Aryee et al., 2012; Bonias et al., 2010).

Psychological empowerment, contextual and innovative performance have a strong relation with each other and are moderated by locus of control and high-performance work system significantly positively impact job performance, organizational commitment, and job satisfaction with mediating role of PE (Butts et al., 2009; Li et al., 2015). Compensation provided to the employees is significantly related to the performance of employees in the workplace (Hesford et al., 2020). The result of the second hypothesis revealed that monetary compensation has constructive effects on employee work performance. Monetary compensation is more effective than using promotion opportunities as incentives for employees to enhance employee performance in the organization (Hahn, 2009). PE of managers is encouraged to increase intrinsic motivation with organizational productivity, and when intrinsic motivation and PE are increased in the organization, then leader-member exchange has a significant influence on innovative work behavior, which also increases the chance of innovation in an organization (Bibi & Afsar, 2018; Barton & Barton, 2011). Therefore, the third hypothesis exhibited that PE is an essential predictor of intrinsic motivation. Moreover, the fourth hypothesis was also supported and observed that monetary compensation increases intrinsic motivation among employees of financial institutions. When an employee has a positive personal orientation that involves competence and self-determination, which is directed towards intrinsic motivation automatically (Abd-El-Salam et al., 2013).

Authentic leadership prevails in companies, which enhances the PE and intrinsic motivation among employees that lead the organization towards success, and all of these factors impact work performance considerably (Hahm, 2018). According to the fifth hypothesis, intrinsic motivation enhances individual performance. When the environment of empowerment is provided to the employees, then their satisfaction with the job and task performance is enhanced, and high-performance work systems significantly positively influence PE, which in turn is arbitrated by social identification, leading to the remarkable performance of employees revealed by quality care of customers (Bartram et al., 2014; Seibert et al., 2004). Similarly, the sixth and seventh hypotheses exhibited that the relationship between PE and monetary compensation with employees' work performance is mediated by intrinsic motivation to some

extent. Employee effective commitment partly intervenes in the relationship between PE and firm performance, but transformational leadership has a constructive and substantial influence on task performance only when PE acts as arbitrator (Guerrero et al., 2018; Kundu & Kumar, 2017). The various constituents of PE, encompassing competence, meaning, self-determination, and impact, substantially impact work performance, with work satisfaction as a mediator within this relation (Ölçer & Florescu, 2015). Moreover, when employees are fully engaged in their respective tasks, both PE and work performance have a much more effective relationship with each other (Juyumaya et al., 2021).

## **Conclusions and Implications**

### **Theoretical Implications**

The theory of PE encompasses several dimensions, positing that employees experience a sense of empowerment when their psychological well-being is enhanced, leading to increased intrinsic motivation (Mishra & Spreitzer, 1998; Quinn & Spreitzer, 1999; Seibert et al., 2011; Wilkinson, 1998). The combination of different motivational theories can be facilitated by analyzing this relationship. This combination may result in a deeper comprehension of worker motivation and how it affects productivity. Expectancy theory states that a person's motivation to exert more effort during a particular task depends on two distinct kinds of expectations: 1) their effort will lead to a desired level of performance, and 2) their performance will result in desirable results. The expectation theory of motivation (Vroom, 1964) states that people make decisions based on their drive to increase joy and decrease pain. Thus, people's perceptions of the link between performance and improvement of results should be intrinsic motivation, and these views of performance to outcome would be correlated with task visibility.

From the perspective of the expectancy theory (Lawler, 1973), impact stands within a performance-outcome expectation, competence for an effort-performance expectation, and meaningfulness for an anticipated outcome value (for intrinsic motivation). On the other hand, the perceived possibility of making a choice based on these variables. However, each assessment can also be considered an intrinsic reinforcement during an activity. In other words, every evaluation is also a prize that people can give themselves at the end of an activity, a reward that motivates them to keep trying. Early theorists considered each factor a distinct fundamental need or reinforcement.

### **Practical Implications**

The interaction of psychological empowerment, monetary compensation, and intrinsic motivation provides in-depth knowledge of how these aspects impact workers' incentive to perform effectively. Such an understanding can assist both managers and researchers in developing more effective workplace-motivating techniques and interventions. The existence of intrinsic motivation as a mediator suggests that depending on their level of intrinsic motivation, people may react differently to PE and monetary remuneration. For motivating tactics to be most effective, individual differences must be acknowledged and accommodated. Organizations should take into account putting in place performance-based reward systems to maximize the impact of financial compensation on job performance. This entails tying compensation to team and individual performance, which can inspire workers to work more and produce more. The level of autonomy, accountability, and importance of tasks can be

increased by managers through redesigning job roles. By including PE components in job design, staff are more likely to experience higher levels of intrinsic motivation and job satisfaction, which will lead to enhanced work performance.

Individual empowerment can be enhanced by encouraging them to participate in decision-making and giving them an active role in how their workplace is designed. This collaborative method can boost creativity, problem-solving skills, and work performance. Organizations can invest in training and development initiatives that enhance psychological empowerment by giving employees the knowledge, tools, and support they need to succeed in their jobs. Employee confidence and competence may increase as a result, enhancing work output. Organizations can use these findings practically to build an empowered workplace that encourages intrinsic motivation and effectively employs compensation schemes to improve overall work performance.

### **Conclusions and Future Recommendations**

Nowadays, PE and monetary compensation are needed in organizations, especially in commercial banks of developing countries, because employees face too many difficulties in exerting their full efforts that lead towards individual performance and further align with organizational performance. This research focused on commercial banks of FCT Islamabad and Rawalpindi district of Punjab, Pakistan, and revealed that PE among employees with competitive monetary compensation stimulates the employees to utilize their full potential to get desired results; therefore, those individuals who were internally motivated and satisfied can perform their duties well. Psychological empowerment, monetary compensation, and intrinsic motivation were found to be strong predictors of employee work performance. Moreover, intrinsic motivation partially mediated the link between PE and monetary compensation with individual work performance.

Finally, the results should facilitate organizations to take measures for employee work performance by resolving staff issues, especially in the banking industry, which is linked with empowerment, compensation, and intrinsic motivation. A key limitation of this study is that it focuses on the FCT Islamabad and Rawalpindi, the city of Punjab, Pakistan. Future researchers can focus on PE with perceived organizational support, employee creativity and development, and different leadership styles. Moreover, these variables can be emphasized with different regions and jurisdictions in the context of different industries with the more affected areas for future research.

## Declarations

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## Appendix

### Psychological Empowerment

#### Meaning

The work I do is very important to me (meaning 1).

My job activities are personally meaningful to me (meaning 2).

The work I do is meaningful to me (meaning 3).

#### Competence

I am confident about my ability to do my job (competence 1).

I am self-assured about my capabilities to perform my work activities (competence 2).

I have mastered the skills necessary for my job (competence 3).

#### Self-Determination

I have significant autonomy in determining how I do my job (self-determination 1).

I can decide on my own how to go about doing my work (self-determination 2).

I have considerable opportunity for independence and freedom in how I do my job (self-determination 3).



**Impact**

My impact on what happens in my department is large (impact 1).  
I have a great deal of control over what happens in my department (impact 2).  
I have significant influence over what happens in my department (impact 3).

**Monetary Compensation**

The way in which my salary is determined is fully clear to me  
I feel fully appreciated by the total compensation I receive for the work I do  
My compensation fits my performance  
My salary is good when compared to what I could earn in another company doing the same job  
I find the compensation system to be fair  
I can influence my total compensation by working harder

**Intrinsic Motivation**

The tasks that I do at work are themselves representing a driving power in my job  
The tasks that I do at work are enjoyable  
My job is meaningful  
My job is very exciting  
My job is so interesting that it is a motivation in itself  
Sometimes I become so inspired by my job that I almost forget everything else around me

**Work Performance****Work Effort**

I try to work as hard as possible  
I intentionally expend a great deal of effort in carrying out my job  
I often expend extra effort in carrying out my job  
I almost always expend more than an acceptable level of effort  
I usually don't hesitate to put in extra effort when it is needed

**Work Quality**

The quality of my work is usually high  
The quality of my work is top-notch  
I deliver higher quality than what can be expected from someone with the type of job I have  
I rarely complete a task before I know that the quality meets high standards  
Others in my organization look at my work as typical high quality work