



**Title:** The Impact of Salary and Ranks on Job Satisfaction: Examining Perceived Fairness in Pakistan's Banking Sector

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**History:** Received: January 01, 2024  
Revised: June 06, 2024  
Accepted: June 18, 2024  
Published: June 30, 2024

**Citation:** Anam, V., and Khaliq, J. (2024), The Impact of Salary and Ranks on Job Satisfaction: Examining Perceived Fairness in Pakistan's Banking Sector, Journal of Workplace Behavior, 5(1), 82-96.

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0009-0001-8456-5222<sup>2</sup>

**JEL Classification:** M10, M50

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**Conflict of Interest:** The authors have no conflicts of interest to declare.

**Funding:** The research is not supported from any source.

**Ethical Consideration:** - Written permission was obtained for the scales used in the study.  
- Ethics committee approval was obtained from the Institutional Ethical Board  
- Informed consent was obtained from all subjects involved in the study.



## The Impact of Salary and Ranks on Job Satisfaction: Examining Perceived Fairness in Pakistan's Banking Sector

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### Abstract

Current study is first of its kind in the context of public sector banking. The study examines the relationship between salary, promotions, and job satisfaction. This study tests the relationship by assuming that Perceived Fairness plays moderating role between the relationship of salary, promotion, and job satisfaction. Additionally, as suggested by another research article, the current study sheds light on the diverse perspectives on Organizational Fairness held by employees of varying age groups. It explores how these individuals have perceived salary raises and promotions within their organizations. The study draws on convenience i.e. nonprobability sample of 360 Individuals in a cross-sectional manner. The data was collected through self-administered questionnaire from the employees of public sector banks of Pakistan where the dire need of examining perceived fairness was identified due to which employees Job Satisfaction is low. The data was analyzed through SAS software. Results show that there is positive significant relationship between Salary, Promotions and Job satisfaction. Moreover, Perceived Organizational Fairness plays moderating role between the relationship of Salary and Job Satisfaction. Findings of the current study pave the way for future research using evidence from an under-researched context and region i.e. Pakistan.

**Key Words:** *Salary, Promotion, Perceived Organizational Fairness, Non-probability and Job Satisfaction.*

### Introduction

Now-a-days Salaries and Promotions (SPs) are the key factors that lead to job satisfaction. Different studies suggest that fairness in the salaries, diversity management measures and promotions leads to increase in employees' job satisfaction (Abdolshah et al., 2018; Bhardwaj et al., 2020; Demircioglu, 2021; Jung & Yoon, 2015; Lee & Sabharwal, 2016; Sahibzada & Khawrin, 2023). Job satisfaction is the positive behavior and positive emotional state ("Antecedents of job satisfaction: Study among banking employees of south province, Srilanka," 2019) that results from one's job experience (Genedy et al., 2024; Okpara, 2006; Wu et al., 2021). As it is important to increase the job satisfaction of employees so different studies suggest that salaries and promotions are one of the major factors that may lead to job satisfaction, organization commitment and decrease employee turnover. While findings of some studies exhibit that in addition to the salaries and promotions, there are also some other factors that may increase job satisfaction including Perceived Organizational Fairness (AlKahtani et al., 2021; Park et al., 2017; Schreurs et al., 2015; Sieweke & Bianca, 2016). The base theory of current study is Equity theory also highlights the significance of Perceive organizational fairness in determining outcomes like salary and promotions. When employees believe that the procedures for deciding on salaries and promotions are fair, they are more inclined to see the organization as just and legitimate. This sense of fairness can boost job satisfaction, commitment, and trust within the organization (Hubbard, 2024; Schultz et al., 2006).

Therefore, the current study determines how salaries and promotion influence the job satisfaction and how perceived fairness in salary and promotion leads to job satisfaction. there is study done on salaries, promotion and job satisfaction but how perceive fairness in salaries and promotions increase the job satisfaction has received very little attention (Cai et al., 2024;

Raja et al., 2018). Previous literature also indicates that there should be study on determining the influence of age, management position and other personal demographical factors on increase of salaries and promotion of employees ( Piccolo, Podsakoff, Shaw, Rich, Judge., 2010). Thus, current study is also examining the influence of different perception of different age groups about salaries and promotions.

## **2. Literature Review**

### **2.1 Salaries and Job Satisfaction**

Salary is a fix or regular guarantee payment, paid to the employees monthly and/or annually for rendering his services on a job with an organizational goal to satisfy employees by being fair in salaries' distribution (Osibanjo, 2014; Saehu et al., 2021; Sung, 2015; Xu et al., 2024). While Job Satisfaction indicates the negative and position perception of individuals about job. Similarly when employees determined that they have high salaries compare to others they become highly satisfy with their jobs and more committed with their organizations (Newman & Sheikh, 2012; Alam Zeb , Shafiq ur Rehman, 2014; Lee & Sabharwal, 2016; Olafsen, Halvari, Forest, & Deci, 2015; Smith, 2015; Robst & Vangilder, 2016; Allen, Whittaker, & Sutton, 2017; Liyana, Sook, & Zaman, 2014; Salisu, 2015; Erkan, 2014; Muindi & Obonyo, 2015).

There are some other studies which suggest that there is insignificant relation between salary and job satisfaction and there are some other factors that increase the job satisfaction of employees including promotions, recognition, incentives, and benefits because social exchange theory define that employees wants to maintain long-term relations with their organization. In this way employees become satisfy with long-term incentives including promotions, recognition and job security as compared to short-term reward including salaries (Yesim et al., 2017). Likewise Equity Theory indicates that employees compare their salaries with their colleagues and when they feel that they have fewer salaries as compared to their colleagues they become dissatisfy with their job (Burrai et al., 2015; Buttner et al., 2015; Rajiah & Bhargava, 2021).

***H<sub>1</sub>: There is significant and positive relation between salary and Job satisfaction.***

### **2.2 Promotion and Job Satisfaction**

Promotion is the term that indicates the growth of career and status within the affiliated organization. It is also the most important aspect of the individual's career life because promotions give the higher ranks and enhanced salary to the employees (Encep Saefullah, 2021; Hetland et al., 2018; Kamal et al., 2020; Kelly & Benson, 2016; Liu et al., 2024). The studies i.e. Pignata, Boyd, & Gillespie, 2014; Rabiul, Rubel & Mui, 2017; Kosteas, 2011; Okpara, 2006; Kumar, 2016 also confirmed that the employees who have higher ranks and more promotional opportunities feel more satisfy and motivated as compared to those who are in lower ranks and have less promotion prospects. Moreover, employees give more value to promotion because promotion opportunities carry an increase in job amenities including big office, recognition and have more authority which also boost the ego, self-esteem and job satisfaction of employee (Mafini, Dlodlo, & Africa, 2014; Alam Zeb , Shafiq ur Rehman, 2014; Azman, Omar, & Yunus, 2016; Kosteas, 2014; Lemons & Jones, 2016; Oshagbemi, 2018; Terera, 2014; Petrou, Demerouti, & Schaufeli, 2016; Khamisa & Peltzer, 2016; Waqas & Bashir, 2014). While there are some studies which argue that promotion is not the major factor that increase the job satisfaction because according to social exchange theory employees want to maintain long term relations with their organization. Moreover they need job security to increase satisfaction level with their jobs as compared to promotion and salaries (Kosteas, 2011; Yesim et al., 2017).

Furthermore, Equity Theory (ET) also confirms the significance of the relationship between promotions and job satisfaction (Patcharanan & Vanchai, 2016) as employees put their effort within the organization, with the expectations of rewards in term of promotion (Kumar, 2016; Barak, Findler & Wind, 2001; Thuy & Thanh 2017; Smith, 2015). The said arguments postulate the below stated hypothesis:

***H<sub>2</sub>: There is significant and positive relation between promotion and job satisfaction.***

### **2.3 Salary, Job Satisfaction and Organizational Fairness**

Organizational fairness is the perception that personnel procedures and decision-making process are fair. Moreover earlier literature suggest that organization fairness leads to increase in motivation level, job satisfaction and organizational commitment of employee because according to procedural justice when employees feel that their organization's procedures are fair, unbiased, accurate and consistent they become more satisfy with their jobs (Choi & Rainey, 2014; Helfers & Reynolds, 2020; Liyana et al., 2014; Qureshi et al., 2017; Robst & Vangilder, 2016; Smith, 2015). Similarly it has been determined from different studies that employees want fair balance between their efforts that they put to achieve organizational goal and what they get from the organization in a form of salaries (Pellerin & Cloutier, 2017; Allen, 2017; Emadi, Hasanzadeh, Pashaie, & Asghar Ghods, 2015; Jung & Yoon, 2015). Furthermore, when there become increase in organizational fairness regarding salary decisions employees become more satisfy and committed with their jobs and organization (Olafsen, halveri, forest 2015; Lee & Sabharwal, 2016; Park, 2017; Schreurs, 2015).

Equity Theory (ET) affirms that the employees compare their salaries with others' salaries instead of comparing their inputs and outputs (Chukwukelue et al., 2016; Rajiah & Bhargava, 2021; Sieweke & Bianca, 2016; Wang et al., 2020). Thus, rewards inequity among employees leads towards employees' dissatisfaction while performing their job roles. (Schreurs, Guenter, van Emmerik, Notelaers, & Schumacher, 2015; Buttner, 2015; Burrai, 2015; Inuwa, 2017). Moreover, it also highlights the link between rewards' fairness with job satisfaction (sun young sung, jin nam choikang, 2015; Edwards & Shapiro, 2014; Pignata, Boyd, & Gillespie, 2014). The above stated arguments postulate:

***H<sub>3</sub>: Organizational fairness positively moderates the relationship of salaries and job satisfaction, such that this relationship strengthens when organizational fairness is high.***

### **2.4 Promotions, Job Satisfaction and Organizational Fairness**

Organizational fairness is perception of employees that procedures are fair and they have participation in decision-making. Moreover, Organizational fairness leads to decrease in conflicts and increase in job satisfaction because it reduce the organizational uncertainty as employees become more clear about organizational procedure and they are sure that decisions will be on fairly basis (Alam, 2012; Baciú et al., 2024; Lemons & Jones, 2001; Noor et al., 2015; Oshagbemi, 1997; Smith, 2015; Wolfe et al., 2018). Employees need organization fairness because they feel dissatisfied while performing their job tasks when they develop a perception of unfair treatment in their organizations. Unfair treatment in the organization leads to the stress and sickness in the employees (Lemons & Jones, 2001; Qureshi, Frank, & Lambert, 2017; Pignata, 2014; Whiteside & Barclay, 2014; Sung, 2015).

Similarly, previous literature argues that organizational fairness in promotion decisions leads to increase in motivation, organizational commitment and job satisfaction of employees. It has been argued that employees of Hewlett Packard are more satisfied and motivated because organization allow its employees to choose their own supervisor and give them fair promotion opportunities. while employees who are promoted on unfair basic might have feeling of inequity that could lead to increase in turnover of employees and job dissatisfaction (Okpara,

2006; Lemons & Jones, 2016; Wolfe et al., 2018; Oshagbemi, 2018; Choi & Rainey, 2014; Kostea, 2011; Alam et al., 2014). Equity Theory as stated above refers to the perception of the employees regarding fairness in reward distribution (Kim, Leung, & Kwok, 2013; Pellerin & Cloutier, 2017) which confirms the link between organizations' perceived fairness and promotions of the employees which is also confirmed by the studies i.e. (Edwards & Shapiro, 2014; Kostea, 2011; Liang & Tang, 2015; McCarthy, 2015; Lan Xia, 2017; Azman, Omar, & Yunus, 2016) as having a feeling of fair promotional decisions lead towards increase in employees' job satisfaction. On the basis of the said arguments following H<sub>4</sub> was postulated i.e.

***H<sub>4</sub>: Organizational fairness positively moderates the relationship of promotions and job satisfaction, such that this relationship strengthens when organizational fairness is high.***

#### **2.4 Salary, Age Differences and Job Satisfaction**

Age groups indicate the group of people that are born at same time. Current study considers three different age groups. It has also been determined that age is based on social cohorts that describe the set of similar events faced by each age group. These events create mental tapes and similar personality traits within the individual of same age group (Berry, 2010). Because of similar personality traits these different age groups have different perceptions about Salaries and degree of job satisfaction. For example, people living in the age group of 45 to 54 give more focus to different sort of benefits including job security, working environment rather than salary. While the people having age of 20 to 30 years give more focus to salary and they give more importance to salary as compared to any other factor (Kooij et al., 2010).

Likewise, equity theory also suggests that employees compare their salaries with the level of effort that they put in their work. For example, older employees perceive higher salaries relative to younger employees because of their job experience but younger employees may have perception of inequality because they have similar levels of knowledge, skills and abilities (Chen et al., 2023). Thus, On the basis of the discussion following:

***H<sub>4</sub>: The anticipated effect of organizational fairness on positive relationship of salary and job satisfaction is moderated by age difference such that this anticipated effect is stronger among older age employees.***

#### **2.5 Promotion, Age Differences and Job Satisfaction**

Age differences, job satisfaction, and promotions are all related in the workplace. According to research, promotions can significantly boost job satisfaction by rewarding and recognizing employee performance. However, Previous Literature indicates that age difference has a significant impact on how promotions are perceived and assessed. For example, younger employees often seek rapid professional growth and may feel unhappy without it, older employees may place a higher priority on intrinsic rewards and career security. To sustain high levels of job satisfaction in an organization, it is necessary to achieve equilibrium between these dynamics for all age groups. By taking these factors into account, managers may develop promotion plans that are effective, fit the needs of a diverse workforce, and boost employee morale. Moreover, equity theory suggests that people compare their input-output ratios with those of others to achieve justice in their working relationships. According to this notion, employees will be happy with promotions if they believe the process was fair and consider their efforts and rewards in comparison to those of their peers. Thus, based on the above discussion, current study suggests following hypothesis:

***H<sub>4</sub>: The anticipated effect of organizational fairness on positive relationship of promotion and job satisfaction is moderated by age difference such that this anticipated effect is stronger among older age employees.***

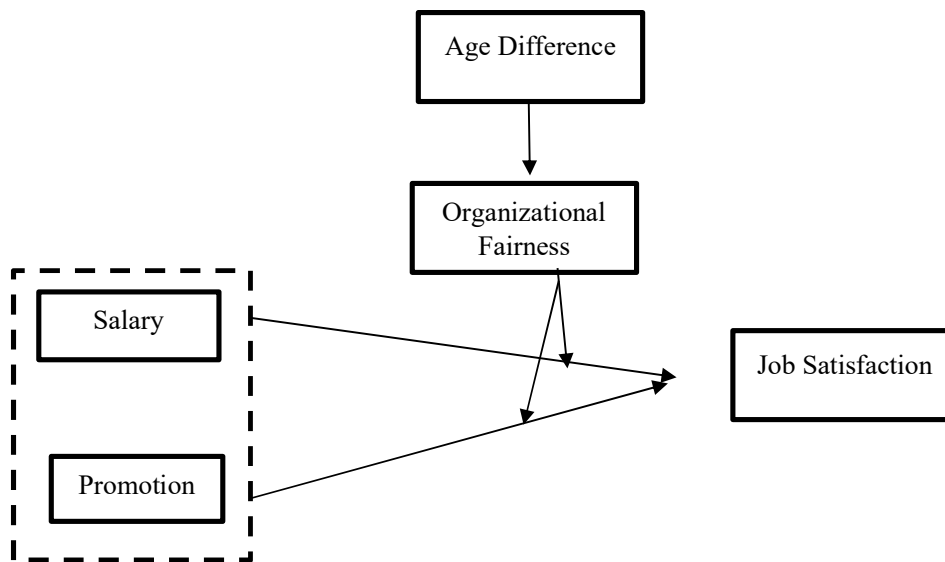


Figure 1. Theoretical Framework

### 3. Research Methodology

#### 3.1 Subject & Participants

There has been a collection of data from three major public sector banks in Pakistan, including Zarai Taraqiati Bank Limited (ZTBL), National Bank of Pakistan (NBP) and Bank of Punjab (BoP). Due to the resource constraint (time and funding), the researchers could get access only to the said three banks. In order to measure the objective and subjective perception of the respondents, first of all the study conducted multiple brainstorming sessions with prospective respondents i.e. practitioners to find the major factors that can influence job satisfaction of employees in banking sector of Pakistan. After establishing the local need using the said subjective responses, the study went through the literature and adapted questionnaire for objection response collection from banking Industry professionals. Moreover, in order to measure the objective response it has been find that the total population of these banks is about 6000 (Population , Labor Force and Employment, 2012) and on the basis of Krejcie and Morgan model sample size of the population is 360 (Krejcie & Morgan, 1970). The study used convenience i.e. non probability sampling technique because of non-cooperative culture of the public sector banks in Pakistan, procedural delays, limited time and accessibility issues.

#### 3.2 Measurements

The questionnaire used for analysis is adapted from already developed questionnaires. The items used in this study were measured on a five-point Likert scale (5=Strongly agree to 1=strongly disagree). A scale used to measure Job Satisfaction and moderating variable (Organizational fairness) is also included in the survey of Cornell job descriptive index. The purpose of this study was to measure job satisfaction of the employees about their salary and other fringe benefits. The scale of job satisfaction is the 18-item scale, and the Cronbach Alpha value of scale is 0.612. Salary scale is the fifteen-item scale and Cronbach alpha value of scale is 0.795. Pay satisfaction questionnaire was used to measure the satisfaction of employee with their salary (Gieter et al., 2006). While Promotion scale is the nineteen item scale taken from the study of Bangladesh (Hossain, 2014). Furthermore, the Cronbach Alpha value of scale is 0.745. To measure the interaction effect of organizational fairness, four item scale has been



used in the current study. The Cronbach alpha of organizational fairness scale is 0.573. Moreover, the demographic variables include Gender, Position, and education. In coding gender variable 1 is used for male and 2 for female, for position variable 1 is using for management position and 2 for non-management position while in the same way '1' is used for bachelor's degree and '2' master's degree.

#### 4. Results

##### 4.1 Demographic Analysis

**Table 1. Demographic Statistics**

Demographic variables	Demographic characteristics	Frequency	Percentage
Age	1. 20-34	75	20.9
	2. 35-49	185	51.3
	3. 50-59	100	27.8
Gender	1. Male	247	68.6
	2. Female	113	31.4
Marital Status	1. Single	130	36.1
	2. Married	230	63.9
Education Level	1. Bachelors	107	23.4
	2. Masters or Above	196	42.8
Position	1. Managerial	149	41.4
	2. Non-managerial	211	58.6

##### 4.2 Descriptive Analysis

Descriptive analysis is a branch of data analysis that involves summarizing and understanding the basic features of a dataset, providing simple summaries about the sample and the measures. It forms the basis of virtually every quantitative analysis of data. Table 2, displays age have mean 1.5 with Standard deviation of .500 as age was coded from 1-3. Similarly, mean values of salary, promotion, org. fairness, job satisfaction ranging from 3.865, 3.778, 4.145, 3.915 respectively.

**Table 2. Descriptive Analysis**

Variable	N	Mean	Std Deviation	Minimum	Maximum
Gender	360	1.472	0.499	1	2
Position	360	1.616	0.486	1	2
Age	360	1.508	0.500	1	3
Salary	360	3.865	3.865	2.789	4.840
Promotion	360	3.778	3.778	2.631	4.789
Organizational Fairness	360	4.145	4.142	3.215	5.000
Job Satisfaction	360	3.915	3.915	2.714	4.857

### 4.3 Correlation Analysis

Correlation is a statistical measure that describes the degree to which two variables move in relation to each other. It quantifies the strength and direction of the relationship between variables. It is determined from correlation analysis Table 3 that there is a positive relation between the salary and Job satisfaction as coefficient of correlation is  $\beta = 0.345$  with  $p < .001$ . Furthermore, there is a positive relation between promotion and job satisfaction as coefficient of correlation is  $\beta = 0.418$  with  $p < .001$ , so on the basis of correlation analysis  $H_1$  and  $H_2$  hypothesis are confirmed. Table 3 depicts (Fornell & Larcker, 1981) criteria:

- Convergent validity as AVE is  $>.50$ , MSV  $<$  AVE, CR is greater than  $.80$ .
- Discriminant validity as the correlation between all constructs are less than  $.90$ .
- Reliability as Cronbach Alpha is above its threshold value  $>.70$ .

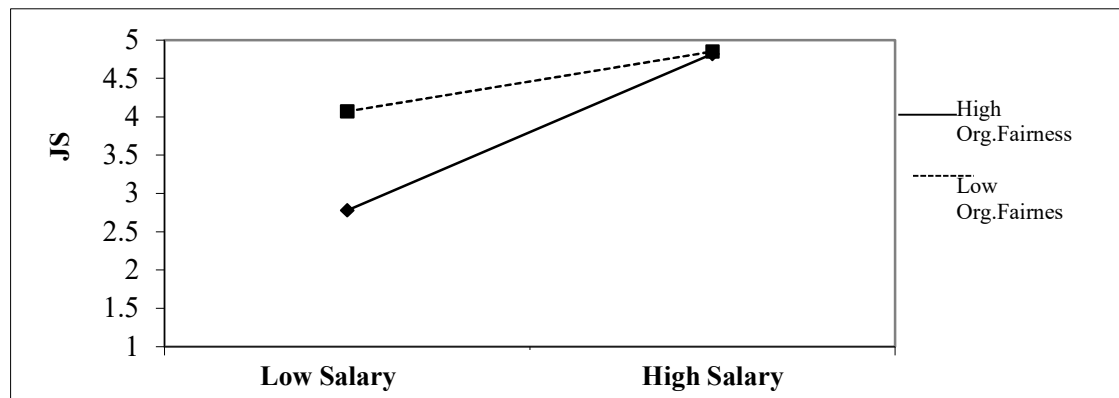
The measurement model indices by confirmatory factor analysis (CFA) concluded CMIN/DF value was 3.213 which is according to recommended value of less than 2 to 5. CFI value was 0.91, IFI was 0.89 and TLI value was 0.90 which is approximately near to the cutoff standards of above 0.90. Additionally, RMSEA was 0.07 that indicates an acceptable model fit.

**Table 3. Correlation and Reliability Analysis**

Constructs	A	CR	AVE	Salary	Promotion	Job satisfaction	Org. Fairness	Age
<b>Salary</b>	.885	.890	.634	<b>.783</b>				
<b>Promotion</b>	.829	.883	.547	.543**	<b>.815</b>			
<b>Job Satisfaction</b>	.880	.891	.568	.345**	.418**	<b>.823</b>		
<b>Org. Fairness</b>	.900	.912	.615	.356**	.489*	.461*	<b>.756</b>	
<b>Age</b>				.278**	.315**	.426**	.273*	<b>.845</b>

*Note. Diagonal elements are correlation between variables; \*\*  $p < 0.01$*

### 4.4 Moderation Analysis



**Figure 2. Moderation Analysis (S-OF-JS)**

A simple slope analysis (Aiken and West, 1991) reveals that the relationship between salary and job satisfaction is significant and strong under conditions of high organizational fairness ( $\beta = 0.329$ ,  $p < 0.001$ ). Therefore,  $H_3$  is proved.



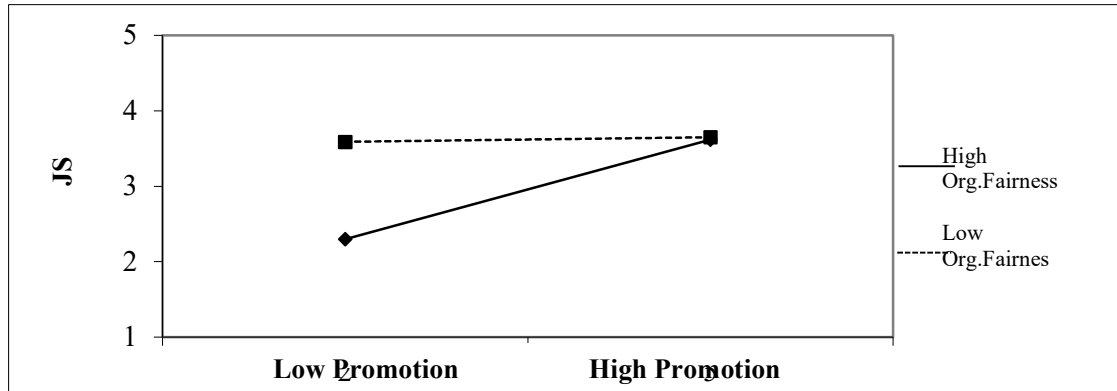


Figure 3. Moderation Analysis (P-OF-JS)

Moderation analysis yielded that organizational fairness positively moderates the relationship promotion and job satisfaction as ( $\beta = 0.421$ ,  $p < 0.001$ ). Hence  $H_4$  is accepted.

The hypothesis tests employed hierarchical multiple regression, using two sequential models, as detailed in Table 4. The result also support positive three-way interaction link among Salary x Org. Fairness x Age as  $\beta = 0.471$  with  $p < .05$  and Promotion x Org. Fairness x Age as  $\beta = 0.512$  with  $p < .001$ . Thus the anticipated organizational fairness on salary and job satisfaction is stronger for older employees, supports  $H_5$ . Moreover, the perceived organizational fairness strengthens the relationship between promotion and job satisfaction among older employees.

Table 4. Moderation Analysis

Variable	Model 1	Model 2
H <sub>3</sub> : Salary x Org. Fairness	.392**	0.234*
H <sub>4</sub> : Promotion x Org. Fairness	.421**	0.367**
Salary x Age		.218*
Promotion x Age		.189*
H <sub>5</sub> : Salary x Org. Fairness x Age		.471*
H <sub>6</sub> : Promotion x Org. Fairness x Age		.512**
R <sup>2</sup>	0.030	.045

Note. Dependent Variable = Job Satisfaction; N =360; \*\*  $p < .00$ ; \*  $p < .05$

## 5. Discussion

On the basis of Analysis and literature review, it is found that there is a positive significant relation between the salary and job satisfaction furthermore the major predictor of job satisfaction is the salary of the employees (Amie M Schuck, 2018; Zeynep Yesim Yalabik, Bruce A Rayton, 2015). In this way first hypothesis is prove that there is a significant positive relation between salary and job satisfaction. The second hypothesis of the study is that there is a positive relation between promotion and job satisfaction. From current analysis and literature review, it is also determined that there is a significant relation between job satisfaction and promotion because most of the firms use promotions as reward for higher productive

employees so that they can exert effort and become satisfied with jobs as well (Kosteas, 2011).

The third Hypothesis of the study is that organizational fairness has a significant moderating relation in salary and job satisfaction which is also proved because when there is a lack of fairness in salaries of employees there is a decrease in job satisfaction (Park, 2017). Furthermore, from the data analysis and literature, it is found that there is a moderating role of organizational fairness within promotion and job satisfaction. Lemons & Jones (2001) figure that when an employee perceives that there is fairness in the promotion decisions and increase in job satisfaction of employees.

The first research question of the current study was to find that how salaries and promotions influence job satisfaction from current analysis, it is determined that there is a significant relation between salaries, promotion and job satisfaction. Furthermore, earlier literature concludes that employees give more importance to salaries and promotions as compared to other benefits and when organizations fail to give fair salaries and promotion leads to decrease in job satisfaction (Lee & Sabharwal, 2016; Ahmad, 2015).

The second research question of the study was to find that how perceived fairness in salary and promotion leads to job satisfaction. Earlier literature proposes that when employees feel there are unfair practices in the organization, they become dissatisfied with their jobs. However, when employees see fairness in organizational practices and the distribution of reward there is an increase in job satisfaction (Lemons & Jones, 2001).

The first objective of the study was to find that whether there is a relation between promotion, salaries and job satisfaction or not. From current study it is determined that there is a positive relation between salary and job satisfaction the major reason that can make the employee satisfy with their job is to give them better salary (Osibanjo, 2014). Another reason that can increase the job satisfaction of the employee is to give them equal promotion opportunity. It has been determined from different studies that the employees who get fair promotion opportunities and better salaries are more satisfied with their job as compared to those who did not get better promotion opportunities and salaries (Kosteas, 2011).

Furthermore, the second objective of the study was to find that whether perceived fairness in salaries and promotion can increase job satisfaction or not from the result of the current study and past literature we have found that the fairness in salaries and promotion leads to satisfaction of employees with their jobs.

Thirdly the last objective of study was to determine whether people from different age groups have different perceptions about salary and promotions or not. From previous literature and data analysis it has been determined that people with different age group have different perception about salary and promotion. Employees from old age need more promotions relative to monetary benefits. While young employees give more importance to raise in salary and monetary benefits.

### **5.1 Theoretical Implications**

Conclusion derived from both i.e. objective and subjective responses of the respondents that there is a positive relation between the salary, promotion and job satisfaction which is also supported by literature and theory. The current study suggests that perceived fairness in salary and promotions leads to increase in job satisfaction of employees (Jung & Yoon, 2015). Furthermore, the basic factor that leads to job dissatisfaction is the unfair procedure of giving promotion and salary and to the employees that is also supported by the Equity theory (Kosteas, 2011). In banking sector, it is determined that working conditions, pay fairness and promotions are main factors that influence the job satisfaction of employees (Hossain, 2014).

### **5.2 Practical Implication**

This study will be helpful for the academic and industrial sector to figure importance of organizational fairness in the salaries and promotions of the employees and to determine that what factors can lead to increase in job satisfaction of employees. Moreover, this study indicates the importance of procedural justice theory and equity theory and this study will be helpful for organizations to determine that what is the importance of these two theories in term of salaries and promotions so that there could be an increase in job satisfaction. In terms of academic this study will open the new avenues in determining that how monetary and non-monetary reward are important for the employees.

### 5.3 Future Research Directions

The current study is determining the relation between the salary, promotion and job satisfaction of employees. Now there would be a study done to define the effect of other fringe benefits on different latent variables including organizational commitment. Moreover, there would be study that indicates perception of different generations about Salaries and promotion. As current study is on banking sector so there would be study done on different sector including health sector.

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