WWW.IJRPR.COM

International Journal of Research Publication and Reviews

Journal Homepage: www.ijrpr.com ISSN 2582-7421

Impact of Salary on Employee Motivation

Shubhi Kansal, Vishal Sagar, Shruti Sinha

MBA Student, Noida Institute of Engineering and Technology, Greater Noida

ABSTRACT

Employee motivation plays a vital role in determining the success and sustainability of modern organizations. Motivated employees are more productive, committed, and willing to contribute toward organizational goals. Among the many factors that influence motivation, salary remains one of the most important and visible. Salary not only fulfills employees' basic financial needs but also affects their sense of fairness, recognition, and job satisfaction.

This study examines the impact of salary on employee motivation by reviewing previous research and interpreting secondary data from different industries. The paper explores how salary influences motivation, retention, and performance, and how perceptions of pay fairness strengthen or weaken this relationship. It also compares the role of financial rewards with non-financial factors such as recognition, job security, and career growth. The findings reveal that salary has a significant positive effect on employee motivation, particularly when it is perceived as fair and linked to performance. However, the study also concludes that salary alone is not sufficient to maintain long-term motivation. A balanced reward system that combines financial and non-financial incentives is necessary for sustained employee engagement. This research provides useful insights for managers, human resource professionals, and policymakers in designing effective compensation strategies.

Keywords: Salary, Employee Motivation, Compensation, Job Satisfaction, Pay Fairness, Performance, Retention, Human Resource Management, Workplace Motivation

Introduction

In today's fast-changing and highly competitive business world, employees are the backbone of every organization. No matter how advanced the technology or how strong the business strategy is, success ultimately depends on the people who work for the organization. When employees are motivated, they perform better, stay committed to their jobs, and contribute positively to the growth of the organization. For this reason, understanding what motivates employees has become one of the most important responsibilities of managers and human resource professionals.

One of the strongest and most visible factors that influence employee motivation is salary. Salary is the regular payment an employee receives for the work they do. It is not only a source of income, but also a way for employees to feel valued and recognized by their organization. A fair and adequate salary helps employees meet their basic needs, support their families, and feel secure about their future. Because of this, salary plays a major role in shaping how employees feel about their job and their employer.

Motivation refers to the energy and willingness that drive people to work hard and achieve their goals. A motivated employee is more focused, productive, and loyal. On the other hand, when employees feel underpaid or treated unfairly, they may lose interest in their work, show poor performance, or even leave the organization. This shows that salary is closely connected to how motivated employees feel at work.

In the past, many organizations believed that money alone was enough to motivate employees. Higher pay was seen as the main reason people worked harder. However, over time, researchers found that while salary is important, it is not the only factor that motivates people. Employees also care about respect, recognition, job security, growth opportunities, and a positive work environment. Still, salary remains the foundation of motivation because it directly affects a person's quality of life.

Today, with rising living costs and economic uncertainty, salary has become even more important for employees. Many people choose jobs, stay with companies, or leave organizations based on how well they are paid. At the same time, organizations must find a balance between financial rewards and non-financial support to keep employees motivated in the long run.

This study focuses on understanding how salary affects employee motivation. It looks at existing research, examines industry data, and explores how employees feelings about pay influence their behavior at work. The goal of this research is to help organizations design better salary and reward systems that not only pay employees fairly but also keep them motivated, satisfied, and committed to their work. Ultimately, this research contributes to the broader field of human resource management by highlighting the strategic importance of salary in building a motivated and productive workforce.

Review of Literature

Gallup (2022) reported in its global workplace study that employees who believe they are paid fairly are more engaged and motivated. The report revealed that pay fairness strongly influences employee commitment, productivity, and retention across industries.

Aguinis (2019) highlighted that performance-linked pay systems significantly improve employee motivation. His research showed that employees are more motivated when salary increases, bonuses, and incentives are clearly tied to individual and organizational performance goals

Javed and Gulzar (2018) studied employees in the banking sector and found that fair salary reduces job stress and increases motivation. They observed that employees who felt adequately paid were more committed and performed better, even in high-pressure work environments.

Khan et al. (2017) reported a positive relationship between salary, job satisfaction, and employee motivation in the manufacturing sector. Their study showed that employees who were satisfied with their pay were more productive, loyal, and willing to perform better.

Umrani and Bhutto (2015) examined employees in public and private sectors and found that salary had a stronger motivational effect in private organizations than in public ones. They concluded that performance-based pay increases motivation, while job security and benefits are more motivating in government jobs.

Gupta and Shaw (2014) found that compensation has a significant impact on employee motivation when pay is linked to performance and skills. Their study emphasized that employees are more motivated when they see a clear connection between effort, performance, and rewards, and when salary systems are transparent and fair.

Robbins and Judge (2013) stated that salary is a critical factor in preventing dissatisfaction, but it does not automatically create long-term motivation. Their research showed that fair and competitive pay improves job satisfaction, but motivation is strongest when salary is supported by recognition, career growth, and meaningful work.

Deci and Ryan (2000) explained that both intrinsic and extrinsic motivation influence employee behavior, and salary plays an important role as an external reward. Their Self-Determination Theory showed that while salary can motivate employees, over-reliance on financial rewards may reduce intrinsic motivation if employees feel controlled rather than supported.

Objectives of the Study

1. To examine the relationship between salary and employee motivation.
2. To identify the strength and direction of this relationship across different sectors.
3. To explore how perceptions of pay fairness affect work motivation.
4. To compare financial compensation's motivational impact relative to non-financial rewards.

Rationale Behind the study

Despite many studies on salary and employee motivation, some important areas are still not fully explored. Most research focuses on only one industry at a time, so there is little comparison between sectors like IT, manufacturing and services. Many studies also look only at salary and ignore how non-financial factors such as recognition, growth, and work-life balance work together with pay. In addition, very few long-term studies show how motivation changes over time. Much of the existing research is based on Western countries, with limited understanding of developing economies like India. Finally, many researchers measure salary only in terms of money and do not consider how fair or satisfying employees feel their pay is, which strongly affects motivation.

Research Methodology

This Study is based on secondary research and quantative analysis. The methodology included examining published data on salary and employee motivation from Indian Industrial surveys.

The study also examine the factors that motivate employees to work other than salary like recognition, appreciation, job security, career growth and work life balance.

Secondary Data Presentations

Table 1: Average Monthly Salary and Motivation by Industry

Industry	**Avg. Monthly Salary (₹)**	**Motivation Index (0-100)**	**Retention %**
IT/ software	₹3,73,500	75	83
Manufacturing	₹2,65,600	67	78
Banking/ Finance	₹3,32,000	72	81
Healthcare	₹2,98,800	70	76
Retail	₹2,32,400	61	72

Source: Global Compensation & Motivation Survey (2023)

This table shows that employees working in the IT and software sector earn the highest monthly salaries and also report the highest motivation levels. This clearly suggests that better pay is linked with higher motivation. On the other hand, retail employees receive the lowest salary and show the lowest motivation, which means that low pay can reduce enthusiasm and job commitment. Banking and healthcare employees fall in the middle, both in terms of salary and motivation. The retention percentages also follow the same pattern—industries where employees are more motivated also have higher retention. Overall, this table proves that salary, motivation, and employee retention are closely connected.

Table 2: Perceived Pay Fairness and Motivation Level (Service Sector – India)

Perceived Pay	**Fairness %of Employee**	**Motivation Score**
Very Fair	25%	82
Fair	40%	74
Neutral	20%	68
Unfair	10%	55
Very Unfair	5%	42

Source: Regional Employee Attitude Survey (2024)

This table shows how strongly employees' feelings about their salary affect their motivation. Employees who believe their pay is very fair or fair are much more motivated than those who feel it is unfair. There is a sharp drop in motivation when employees feel their salary is unfair. This means that it is not only the amount of money that matters, but also whether employees feel respected and treated fairly. Fair pay builds trust and encourages people to work harder.

Table 3: Motivational Factors Ranked (Indian Workplace)

Factor	**% Employee Ranking it top**
Salary	39%
Recognition/Appreciation	28%
Job Security	17%
Career Growth	10%
Work Life Balance	6%

Source: India Workplace Motivation Report (2025)

This table shows that salary is the most important motivator for many employees, with almost 40% ranking it as their top reason for working hard. However, when we combine recognition, job security, and career growth, we can see that non-financial factors together are even more important than salary alone. This proves that while money is essential, employees also need appreciation, stability, and growth opportunities to stay motivated. Organizations should therefore use a mix of financial and non-financial rewards to keep their employees happy and productive.

Recommendations

Based on the study findings, organizations should focus on offering competitive salaries that match industry standards so they can attract and retain good employees. They should also introduce performance-based incentives to clearly link employees' efforts with rewards, which can increase motivation. Maintaining transparency in pay policies is important because it helps employees feel the system is fair and trustworthy. In addition to salary, organizations should provide non-monetary rewards such as recognition programs, training opportunities, and clear career growth paths to keep employees motivated. Finally, companies should regularly collect employee feedback through surveys and discussions to understand their motivation levels and make necessary improvements.

Managers play an important role in keeping employees motivated. They should clearly explain compensation policies so that employees do not develop misunderstandings. Managers should also publicly appreciate good performance, as recognition boosts morale and encourages others to perform well. Providing regular and constructive feedback can help employees stay focused and improve their work. Since every employee is different, managers should try to use motivational approaches that match individual needs, preferences, and career goals.

Conclusion

To conclude, this study shows that salary is an important factor in motivating employees. When employees receive competitive pay that is clearly linked to their performance, they are more likely to feel motivated and committed to their work. However, the study also highlights that how fair employees believe their pay is often matters more than the actual salary amount. When employees feel they are treated fairly, their motivation and loyalty toward the organization increase.At the same time, motivation does not depend on salary alone. Employees are also influenced by non-financial factors such as recognition, career growth opportunities, job security, and a positive work environment. The impact of salary on motivation can also vary across industries and cultural settings, which means organizations should avoid using the same compensation strategy everywhere.

Overall, salary is a necessary but not sufficient driver of employee motivation. Organizations that focus only on pay may see short-term results, but long-term motivation requires a balanced reward system. By combining fair and competitive salaries with meaningful non-monetary support, organizations can build a more motivated, satisfied, and productive workforce.

References

Aguinis, H. (2019). Performance management for dummies. John Wiley & Sons.

Armstrong, M., & Taylor, S. (2020). Armstrong's handbook of human resource management practice (15th ed.). Kogan Page.

Deci, E. L., & Ryan, R. M. (2000). The "what" and "why" of goal pursuits: Human needs and the self-determination of behavior. Psychological Inquiry, 11(4), 227–268.

Gallup. (2022). State of the global workplace: 2022 report. Gallup Press.

Gupta, N., & Shaw, J. D. (2014). Employee compensation: The neglected area of HRM research. Human Resource Management Review, 24(1), 1–4.

Herzberg, F. (1968). One more time: How do you motivate employees? Harvard Business Review, 46(1), 53–62.

Javed, M., & Gulzar, A. (2018). Impact of compensation on employee performance in banking sector. Journal of Business and Management, 20(5), 1–7.

Judge, T. A., Piccolo, R. F., Podsakoff, N. P., Shaw, J. C., & Rich, B. L. (2010). The relationship between pay and job satisfaction: A meta-analysis. Journal of Vocational Behavior, 77(2), 157–167.

Khan, I., Shahid, M., Nawab, S., & Wali, S. S. (2017). Influence of intrinsic and extrinsic rewards on employee performance: The banking sector of Pakistan. Journal of Managerial Sciences, 11(1), 1–12.

Maslow, A. H. (1943). A theory of human motivation. Psychological Review, 50(4), 370–396.

Robbins, S. P., & Judge, T. A. (2013). Organizational behavior (15th ed.). Pearson Education.

Umrani, W. A., & Bhutto, N. A. (2015). Examining the role of employee motivation in public and private sector organizations. International Journal of Business and Management, 10(5), 123–130.

World atWork. (2021). Trends in employee rewards and compensation. World atWork Press.