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"THE RELATIONSHIP BETWEEN PSYCHOLOGICAL EMPOWERMENT AND MONETARY COMPENSATION AND MEDIATING ROLE OF INTRINSIC MOTIVATION: AN EMPIRICAL STUDY CONCERNING THE IT SECTOR EMPLOYEES"

DEBANJAN NAG
FACULTY, "SYMBIOSIS INSTITUTE OF BUSINESS MANAGEMENT, HYDERABAD; SYMBIOSIS INTERNATIONAL (DEEMED UNIVERSITY), PUNE, INDIA

ANKITA PATHAK
ASSISTANT PROFESSOR, GLA UNIVERSITY, INSTITUTE OF BUSINESS MANAGEMENT, MATHURA, INDIA; EMAIL:ankitapthk76@gmail.com

SUNIL KADYAN
ASSOCIATE PROFESSOR, BIRLA INSTITUTE OF MANAGEMENT TECHNOLOGY (BIMTECH), GREATER NOIDA, INDIA; EMAIL: drsunilkadyan@gmail.com

KRISHNA KANT DAVE
VICE- CHANCELLOR, SHRI VENKATESHWARA UNIVERSITY, GAJRAULA, INDIA
EMAIL: krishnakantdave@gmail.com

PUSHPKANT SHAKDWIPE
ASSOCIATE PROFESSOR, PACIFIC INSTITUTE OF MANAGEMENT, PACIFIC ACADEMY OF HIGHER EDUCATION AND RESEARCH UNIVERSITY, UDAIPUR, INDIA
EMAIL: pushpkant1976@gmail.com

ABSTRACT

This empirical study was carried out study to assess the relationship between psychological empowerment, intrinsic motivation and monetary compensation. Further, the authors studied intrinsic motivation as a pathway nexus between on psychological empowerment and monetary compensation. This empirical research also modelled intrinsic motivation and psychological empowerment as higher order constructs to test the relationships. The data were gathered using a questionnaire to measure eight reflective constructs: psychological empowerment with 4 sub-dimensions – meaning, competence, self-determination and impact, intrinsic motivation with sub-dimensions – effort, perceived competence and interest, the last construct is monetary compensation with 5 items. The data from the 500 subjects were analyzed for exploratory, confirmatory factor analysis, and SEM analysis using IBM SPSS AMOS. The model fit was excellent for both the lower order constructs and higher-order constructs as revealed by modification indices. All the constructs are positive and statistically significant ($p<0.05$; $p<0.001$) influencing the monetary compensation. The intrinsic motivation partially mediating the relationship between psychological empowerment and monetary compensation. The study suggested that employees be psychologically empowered with appropriate monetary compensation to motivate them and enhance their performance.

Keywords: psychological empowerment, monetary compensation, structural equation modeling, intrinsic motivation

INTRODUCTION

The information technology (IT) sector has emerged as a pivotal force in the global economy, driving innovation, connectivity, and digital transformation. As this sector continues to expand, the role of human capital, particularly the psychological well-being and motivation of employees, becomes paramount for sustained success and

competitiveness. The IT sector is volatile, with fierce competition and rapid technological advances. The employees are exposed to still competition and fast-paced. Workers in the IT industry are frequently exposed to fast-paced working culture, a state-of-the-art technology. Therefore, employees are prone to occupational stress and psychological, physiological and psychosomatic effects. To mitigate these issues, employees need psychological empowerment and competitive monetary compensation to motivate them intrinsically.

Social organizational psychology defines psychological empowerment as the idea that employees can have control to impact their job settings. Psychological empowerment can influence employees both personally and professionally. The effects of psychological empowerment on the psychological and general well-being of employees in terms of work engagement should be explored, especially in the context of the IT sector, as employees need to continuously update their skills to align with fast technological advancements and challenging project assignments (Prasad et al., 2020).

In compensation and benefits, compensation, in particular, is an important glue that binds the relationship between how employees perceive their organization. The competitive salary structure with a wide range of perks attracts talent and draws meritorious employees. Scrutinizing the relationship between compensation benefits and psychological employment will reveal important information on how these two elements affect workers' engagement and job satisfaction (Zaheer et al., 2023).

The study investigates the relationship between pay amount, perceived distributive and procedural justice, and perceived managerial need support in work organizations. The study analyzed 166 bank employees' psychological need satisfaction and intrinsic work motivation using a self-determination theory model, considering competence and autonomy needs as an intervening variable. The study revealed that procedural justice was found to be more influential in enhancing employee need satisfaction and intrinsic work motivation. The study revealed that managerial need support significantly enhances need satisfaction and intrinsic work motivation, acting as a moderator in the model.

A study explores variable pay and intrinsic motivation in salespeople, based on previous research in sales management, suggesting the relevance of self-determination concepts. Assessing this applicability among a cross-section of industry salespeople. The study discovered that pay plans featuring a greater variable component can result in increased intrinsic motivation levels. It is as was hypothesized: the connection is more pronounced among younger salespeople. Salespeople who are younger may be responding to the implications of autonomy and competence that come with incentive-based pay. The findings from this sample suggest that a salesperson's age influences their intrinsic motivation both directly and interactively (DelVecchio & Wagner, 2011).

Empirical evidence suggests that extrinsic incentives can diminish intrinsic motivation, leading to a reduction in workers' effort choices. A straightforward model is introduced in this article to demonstrate that when monetary incentives are introduced, worker effort decreases discontinuously and their motivation to act in the principal's interest diminishes. The principal finding is that motivation crowding out occurs when an individual's intrinsic motivation is aimed at a principal who also offers the extrinsic rewards the individual receives. However, when intrinsic satisfaction is aimed at more generalized social norms of behavior, extrinsic rewards do not diminish intrinsic motivation.

The present paper focused on exploring the complex relationships among psychological empowerment, compensation and benefits for IT sector employees in the context of intrinsic motivation. The IT sector has a diversified workforce and several opportunities and bottlenecks. This study provides insights into motivation and psychological well-being. This empirical research will assess the levels of psychological empowerment in the context of compensation and benefits and intrinsic motivation. The authors also assess the intrinsic motivation as a pathway between psychological empowerment and monetary compensation. The outcome can be helpful to the IT industry to promote psychological well-being and enhance organizational performance and effectiveness for employees' continuous engagement.

In India, the IT sector is a major contributor to its economy and GDP, with over 100 billion, contributing approximately 10% to India's GPD with exports in the form of projects. However, employee turnover intentions and low employee engagement are major factors that frequently disturb the balance among IT project staff. IT sector employees to gain an understanding of the factors that affect employee engagement and leaving intentions.

REVIEW OF THE LITERATURE

PSYCHOLOGICAL EMPOWERMENT

Psychological empowerment comprises four key dimensions: competence, autonomy, meaning and impact (Spreitzer et al. (1995). Empowerment is positively correlated with positive work environments, including job satisfaction, employee performance, and organizational commitment (Spreitzer et al., 1997; Van den Bossche et al., 2003). The empowered employees demonstrate enhanced job engagement and creativity, as reported by Singh

et al., in the context of the IT industry (Singh et al., 2020). Empowered employees perceive greater autonomy, meaning, and control in their work, which motivates employees' job satisfaction (Spreitzer et al., 1999). The authors reported a positive association among psychological empowerment and intrinsic motivation.

MONETARY COMPENSATION

Financial rewards, tangibles and intangibles are included in compensation and benefits for IT sector employees. Salaries and bonuses are strongly related to employee job satisfaction (Gupta & Singh, 2018). The intangible/nonfinancial benefits are healthcare policy, training opportunities, coupons and flexible work arrangements, and organizational support can intrinsically motivate employees (Srivastava & Singh, 2019). Rai et al. (2018) suggest that extrinsic benefits such as monetary compensation can work best when added to intrinsic motivators such as recognition and promotion opportunities (Rai et al., 2018).

The increase in employee job satisfaction is associated with both the financial and nonfinancial compensation benefits packages and results in intrinsic motivation. There is a direct association between financial rewards and the job satisfaction of employees (Gupta & Singh, 2018); however, nonfinancial rewards can motivate employees professionally and personally (Srivastava & Singh, 2019). This finding suggested that there was a positive relationship between perceived compensation and benefits and intrinsic motivation (Hypothesis 2a). 12

A thorough compensation and benefits package including financial and nonfinancial rewards potentially impacts extrinsic and intrinsic motivation. This finding is consistent with the mediating role of intrinsic motivation reported by Bhattacharya et al. (2022) in the context of the Indian IT industry (Hypothesis 2b).

INTRINSIC MOTIVATION

An employee's internal desire to engage in an activity for fulfilling job assignments is intrinsic motivation (Deci & Ryan, 2008). Intellectual stimulation, skill advancement, and meaningful work with autonomy increase employee engagement and performance (Agarwal & Farooq, 2018). The intrinsic motivation factor can act as a mediator between compensation and benefits and organizational citizenship behaviors in Indian IT organizations (Bhattacharya et al., 2022). Intrinsic motivation may be a pathway pm the nexus between psychological empowerment and perceptions of compensation and benefits. Empowered employees with greater intrinsic motivation might perceive their compensation and benefit packages more favorably, creating a mediating effect (Bhattacharya et al., 2022) (Hypothesis 3).

PSYCHOLOGICAL EMPOWERMENT AND COMPENSATION

Rahi (2022) empirically investigated the association between psychological empowerment and the impact of human resource practices on employee work engagement in the context of monetary compensation. The data were collected from 311 respondents working in private organizations. The results from PLS-SEM demonstrate that psychological empowerment, psychological well-being, and HR compensation account for 66.1% of the variance in employee work engagement. Zaheer et al. (2023) evaluated how psychological empowerment (PE) and monetary compensation affect work performance, as well as the role of intrinsic motivation in mediating the relationship between PE and work performance among employees of commercial banks in Rawalpindi city, Punjab, Pakistan. The SEM outcome revealed that both PE and monetary compensation have favorable and substantial effects on individual work performance; however, monetary compensation is a greater predictor than PE. Intrinsic motivation partially influenced the correlation between PE, monetary pay, and work performance among commercial bank workers.

Darus et al.'s 2016 study found significant correlations between psychological empowerment, work stress, pay satisfaction, and organizational commitment among academic staff in public institutions.Furthermore, multiple regression analysis demonstrated that psychological empowerment had a partial mediating effect on the association between pay satisfaction and organizational commitment. Fernandez et al. (2023) studied the relationship between psychological empowerment and pay satisfaction in the context of teacher retention in "South Cotabato, Koronadal, General Santos, and Sarangani". The outcomes demonstrate that secondary teachers experience a strong sense of psychological empowerment and that they are highly engaged in their work. Nonetheless, there is a connection between low pay and elevated teacher retention rates.

Hassan et al. (2014) evaluated the impact of perceived organizational support (POS), psychological empowerment (PE), and salary on employee satisfaction via employee engagement among Pakistani bank employees. The results of the structural equation model show that employee engagement partially influenced the relationship between POS and PE, while employee satisfaction mediated the association between rewards and satisfaction.

PSYCHOLOGICAL EMPOWERMENT AND INTRINSIC MOTIVATION

Zhang and Bartol's 2017 study examined the impact of psychological empowerment and intrinsic motivation on the correlation between empowering leadership and employee creativity. The data were gathered from employees of information technology companies in China. Empowering leadership positively impacts psychological empowerment, intrinsic motivation, and creative process engagement, thereby positively influencing creativity, with empowerment role identity moderating the relationship. Andika & Darmanto (2020) study found that psychological empowerment and intrinsic motivation significantly impact employee performance, with organizational commitment playing a mediating role. The study found that empowerment, intrinsic motivation, and organizational commitment significantly impact employee performance.
Ayuandira et al. (2023) examined the impact of leadership empowerment with employee intrinsic motivation as pathway on the nexus among turnover intention and psychological empowerment. The data were gathered from industrial employees at Bahadopi Regency, Central Sulawesi. The PLS-SEM results indicate that empowering leadership, a well-structured compensation system, and employee intrinsic motivation significantly influence turnover intention. Empowering leadership and a well-structured compensation system significantly impact turnover intention, largely due to employees' intrinsic motivationPolston-Murdoch (2015) examined the impact of psychological empowerment in the context of leadership styles with the moderating role of intrinsic motivation. Intrinsic motivation positively moderates psychological empowerment and leadership styles.

RESEARCH GAP

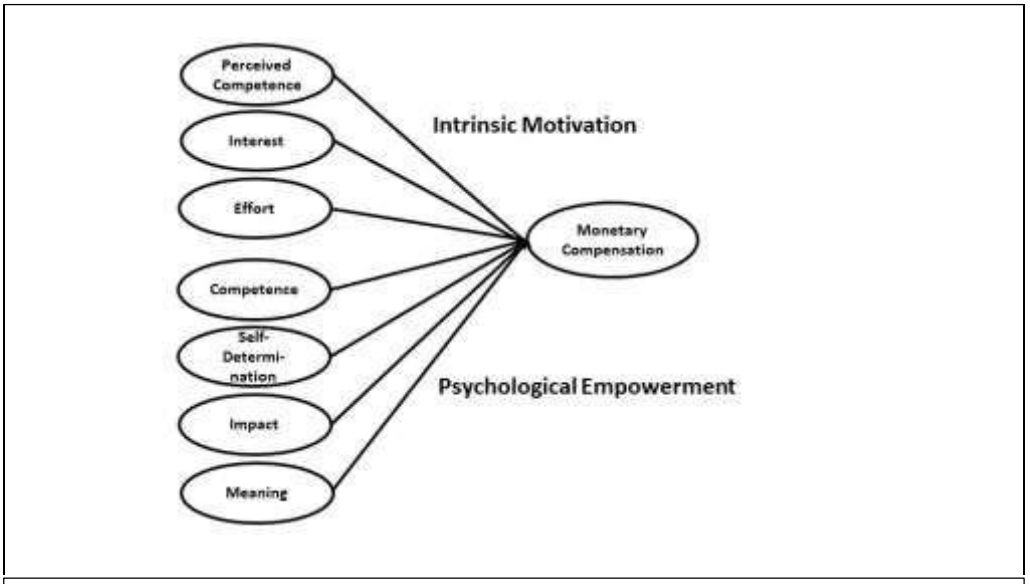
The author sourced several research articles on these topics in general. However, in the existing research that establishes the independent relationships between psychological empowerment, compensation and benefits, and intrinsic motivation, as a pathway. Therefore, researchers have carried out this empirical study by surveying the IT sector industry in Hyderabad. The authors carried out this empirical study to fulfill the objectives listed.

OBJECTIVES

- “To assess the relationship between intrinsic motivation, psychological empowerment and monetary compensation”
- “To examine the association between intrinsic motivation and monetary compensation”
- “To examine the mediating role of intrinsic motivation on the relationship between compensation and benefits and psychological empowerment”

THEORETICAL FRAMEWORK

Fishbach and Wooley (2022) presented the structure and consequences of the intrinsic motivation. Cerasoli et al., (2014) carried out a meta-analysis considering intrinsic motivation, extrinsic incentives and performance. The authors concluded that incentives and intrinsic motivation are not necessarily incompatible and re best considered. Furthermore, considering the works of Zaheer et al. (2023), who studied the nexus among psychological empowerment and monetary compensation, with an intrinsic role as a mediator and Rahi et al. (2022) reported the nexus among psychological empowerment and HR benefits, with organizational commitment as a moderator, the authors proposed the theoretical framework (Figure 1), which includes 4 constructs meaning, competence, self-determination and three constructs of intrinsic motivation – interest, perceived competence, and effort are adopted from CSTD (2024), whereas the monetary compensation construct is based on Ritika Gupta (2018) and Ved Srinivas et al., (2024). The theoretical framework is presented in Figure 1. This study also modelled the psychological empowerment and intrinsic motivation as higher order constructs (Figure 2). Figure 2 presents the mediation model for the study which is based on the Gunzler et al., (2013). The Figure 3 presents the mediation model of the study



"**Figure 1**: Theoretical framework: Psychological empowerment, intrinsic motivation and monetary compensation"

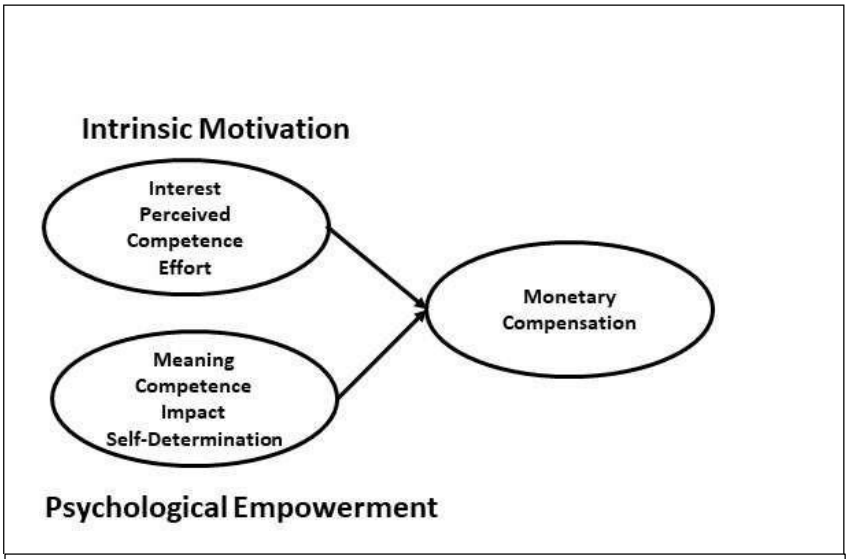
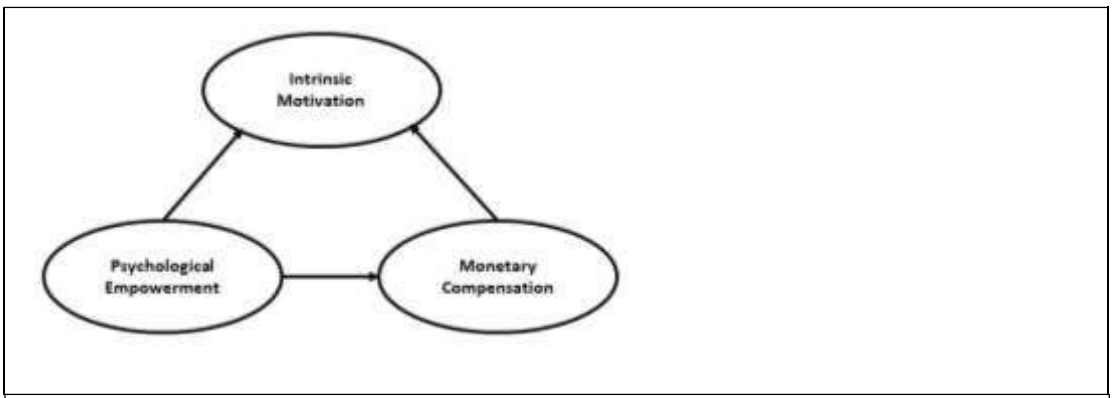


Figure 2. Hypothetical model (with higher order constructs) Authors creation



"**Figure 3**: Mediation model (adopted from Gunzler et al., 2013

HYPOTHESES

LOWER-ORDER CONSTRUCTS

Intrinsic motivation components
H1: "Effort is positive and statistically significant impacts the monetary compensation"
H2: "Perceived competence is positive and statistically significant impacts the monetary compensation"
H3: "Interest is positive and statistically significant impacts the monetary compensation"
Psychological empowerment
H4: "Meaning is positive and statistically significant impacts the monetary compensation"
H5: "Competence is positive and statistically significant impacts the monetary compensation"
H6: "Self-determination is positive and statistically significant impacts the monetary compensation"
H7: "Impact is positive and statistically significant impacts the monitory compensation"
Higher order constructs
H8: "Intrinsic motivation is positive and statistically significant impacts the monetary compensation"
H9: "Psychological empowerment is positive and statistically significant impacts the monetary compensation"
Mediation
H10: "Intrinsic motivation mediates the relationship between psychological empowerment and monetary compensation"

DATA COLLECTION AND SAMPLING

Purposive sampling, or judgmental sampling, was strategically used to select IT professionals with crucial characteristics or experiences for the empirical research, ensuring precise selection and meaningful conclusions. The sampling plan targets IT professionals with varying levels of experience, from junior to senior roles, or those employed in different types of IT firms in and around Hyderabad. To avoid the sample bias the data were gathered from several IT companies with employees having diverse educational and cultural backgrounds.

INSTRUMENTS

The Psychological Empowerment Scale (4 constructs) "Meaning, Competence, Self-determination and Impact" with each construct having 3 items totaling 12 items, was developed by Spreitzer, G. M. (1995); the Monetary Compensation Scale (5 items) was developed by Ritika Gupta et al., 2018; Zaheer et al. (2023); and the Intrinsic Motivation Scale (3 constructs, 9 items) interest, perceived competence and effort was developed by CSDT (2023). The variables were measured on a 7-point Likert scale where strongly disagree = 1 to strongly agree = 7. The demographic characteristics of the participants are presented in Table 1.

"Table 1. *Demography and descriptive statistics of the sample"*

"Item"	N	Per cent
"Gender"		
"Male"	269	53.8
"Female"	231	46.2
"Age Group (Years)"		
20-30	224	44.8
31-40	167	33.4
40-50	62	12.4
>50	47	9.4
"Marital Status"		
"Married"	336	67.2
"Unmarried"	164	32.85
"Education"		

"SSC"	60	12.0
"Graduate"	236	47.2
"Post-Graduate"	155	31.0
"Others"	49	9.8
"Children"		
"Yes"	300	60.0
"No"	200	40
"Experience (Years)"		
"1-5"	157	31.4
"6-10"	141	28.2
"11-20"	131	26.2
>20 Years	71	14.2
Source: Primary data processed		

DATA ANALYSIS RESULTS

FACTOR ANALYSIS

Before modeling the lower and higher constructs, the valid data were analyzed for exploratory, confirmatory factors analysis and the relationships among the constructs were analyzed. The hypotheses were tested using SEM analysis. The factor analysis distributed 26 items into 8 component based on their shared variance. Absolute path coefficients have been reported by researchers using IBM-AMOS with small and large samples and normal and non-normal data in a number of social science and psychology studies. (Hair et al., 2013).

The KMO test evaluates data suitability for factor analysis, assessing sampling adequacy for each variable and the complete model, quantifying common variance proportion among variables. The KMO value of 0.921 indicate the data is suitable for factor analysis. Bartlett's Test of Sphericity is a statistical test used in multivariate analysis to determine if the variances of variables are equal, ensuring the data's suitability for the chosen analysis method and ensuring the reliability of the results. Bartlett's Test of Sphericity compares an identity matrix to an observed correlation matrix, determining if there's specific redundancy among variables that can be summarized with a limited number of factors. The resulted value <0.001 indicate the data is suitable for further analysis. Therefore, SEM analysis was carried out. The eight components explained a cumulative variance of 81.992% which >50%, the minimum recommended value.

This section reports the results of the SEM analysis and presents the structural model, model-fit statistics, mediation. Both the lower and higher constructs were tested. The study has 3 reflective constructs, and the reliability and validity of the constructs are assessed to confirm the suitability of the constructs for further investigations to assess reflective measurements (Hair et al., 2011). Figure 3 displays the measurement model with factor loadings. To assess the external measurement model, convergent validity was first determined. We evaluated the "factor loadings, composite reliability (CR), and average variance extracted (AVE)". Since every item's average factor loading was greater than 7, none of the items were removed from the study (Chin et al., 2008). The factor loadings for all four reflective constructs are presented in Table 2.

FACTOR LOADINGS

Factor loadings indicate the strength and direction of the relationship between variables and components, with higher loadings indicating stronger associations and guiding interpretation of underlying themes (Table 2).

For easy identification and convenience, the codes are used for labeling the study variables. MONC: Monetary compensation; EFFRT: Effort; IMPACT: Impact; PERCO: Perceived competence; INTERE: Interest; COMPET: Competence; SELFD: Self-determination and MEAN: Meaning.

Table 2: Factor loadings of study variables		
Factor	Item	Factor Loading
Intrinsic Motivation Interest Chronbachs' α =0.891, CR=0.911, AVE=0.773		
INT1	"I enjoyed doing my work activities very much"	0.82
INT2	"The activities are fun to do"	0.87
INT3	"I would describe my work activities are interesting"	0.87
Perceived Competence Chronbachs' α =0.911, CR=0.71, AVE=0.67		
PERC1	"I think I have enough skills to do my routine activities"	0.89
PERC2	"I think I will better my work activities when compared with others"	0.86
PERC3	"After working on these activities for a while, I felt pretty competent"	0.89
Effort Chronbachs' α =0.933, CR=0.934, AVE=0.826		
EFFORT1	"I put a lot of effort in learning my work activities"	0.89
EFFORT2	"I tried very hard on some of my work activities"	0.89
EFFORT3	"It was important to me to do well at these tanks"	0.94
Psychological Empowerment Meaning Chronbachs' α =0.00, CR=0.95, AVE=0.761		
MEAN1	"The work I do is very important to me"	0.86
MEAN2	"My job activities are personally meaningful to me"	0.91
MEAN3	"The work I do is meaningful to me"	0.85
Self-determination Chronbachs' α =0.866, CR=0.876, AVE=0.702		
SELF1	"I have significant autonomy in determining how I do my job"	0.79
SELF3	"I can decide on my own how to go about doing my work"	0.86
SELF3	"I have considerable opportunity for independence and freedom in how I do my job"	0.86
Competence Chronbachs' α =0.849, CR=0.853, AVE=0.660		
COMPE1	"I am confident about my ability to do my job"	
COMPE2	"I a self-assured about my capabilities to perform my work activities"	
COMPE3	"I have mastered the skills necessary for my job"	
Impact Chronbachs' α =0.897, CR=0.900, AVE=0.751		
IMPCT1	"My impact on what happens in my department is large"	0.89
IMPCT2	"I have a great deal of control over what happens in my department"	0.89
IMPCT3	"I have significant influence over what happens in my department"	0.82
Monetary compensation Chronbachs' α =0.948, CR=0.949, AVE=0.877		
MC1	"I am satisfied with my salary."	0.90
MC2	"All amenities and allowances are provided to employees."	0.92
MC3	"All sorts of leaves are adequately provided."	0.88
MC4	"I am satisfied with my performance incentives and bonus."	0.88
MC5	"High levels of welfare measures are provided."	0.87
INT: Interest; PERC: Perceived Competence; EFFORT: Effort; MEAN: Meaning; SELF: Self-determination; COMPE: Competence; IMPCT: Impact; MC: Monetary Compensation		
Source: primary data processed		

MEASUREMENT MODEL

According to composite reliability (CR) and Cronbach alpha measurements, each statement showed good reliability, above the conventional 0.70 criterion (Hair et al., 2019, Table 2). The reliability was further confirmed by the fact that each statement had a factor loading of >0.70, with an average factor loading of >0.80. According to CR and Cronbach alpha measurements, each statement showed good reliability, above the conventional 0.70 criterion (Hair et al., 2019, Table 2). The reliability was further confirmed by the fact that each statement had a factor loading of >0.70, with an average factor loading of >0.80.

Furthermore, in accordance with the criteria established by Fornell and Larcker (1981, Table 3), our research showed discriminant validity between the constructs. The square root of the AVE for each construct was found to be greater than the correlations between them. The uniqueness of the measured constructs was further confirmed by the fact that all "Heterotraot-Monotrait Ration" (HTMT) values were below the 0.85 criterion (Table 4)

(Henseler et al., 2015). When taken as a whole, these findings show that the constructs capture distinct variance as opposed to notions that overlap. Thus, the survey questions are able to distinguish between the numerous elements of interest.

"**Table 3**. Discriminant validity"

	MONC	EFFRT	IMPACT	PERCO	INTERE	COMPET	SELFD	MEANI
MONC	**0.887**							
EFFRT	0.436***	**0.909**						
IMPACT	0.373***	0.391***	**0.867**					
PERCO	0.527***	0.456***	0.326***	**0.879**				
INTERE	0.467***	0.359***	0.272***	0.467***	**0.857**			
COMPET	0.491***	0.378***	0.328***	0.425***	0.424***	**0.812**		
SELFD	0.461***	0.423***	0.388***	0.670***	0.312***	0.363***	**0.838**	
MEANI	0.694***	0.559***	0.489***	0.679***	0.380***	0.497***	0.742***	**0.872**

Source: Primary data processed
*** Significant at 0.001 level

"**Table 4**. Discriminant validity (Heterotrait-Monotrait Ration Analysis"

	MONC	EFFRT	IMPACT	PERCO	INTERE	COMPET	SELFD	MEAN
MONC								
EFFRT	0.421							
IMPACT	0.345	0.366						
PERCO	0.491	0.427	0.294					
INTERE	0.433	0.334	0.239	0.419				
COMPET	0.441	0.337	0.278	0.373	0.372			
SELFD	0.420	0.387	0.361	0.592	0.274	0.313		
MEANI	0.650	0.522	0.443	0.619	0.339	0.438	0.678	

Source: Primary data processed
"Thresholds are 0.850 for strict and 0.900 for liberal discriminant validity."

STRUCTURAL MODEL LOWER ORDER

The eight-factor model resulted an excellent model fit ("CMIN/df=2.080, GFI=0.956, CFI=0.972, TLI=0.967, IFI=0.973, NFI=0.949, SRMR=0.032; RMSEA=0.047, PClose=0.852"). indicating that the data fit the model well. AMOS developed a structural equation model to test the links between the constructs. An excellent model fit is indicated by the model fit indices presented in the measurement model section. The squared multiple correlation coefficient of 0.55 by "effort, perceived competency, interest, competency, self-determination, meaning, and impact indicate that these seven variable are explaining 55% of the variance on Monetary compensation.

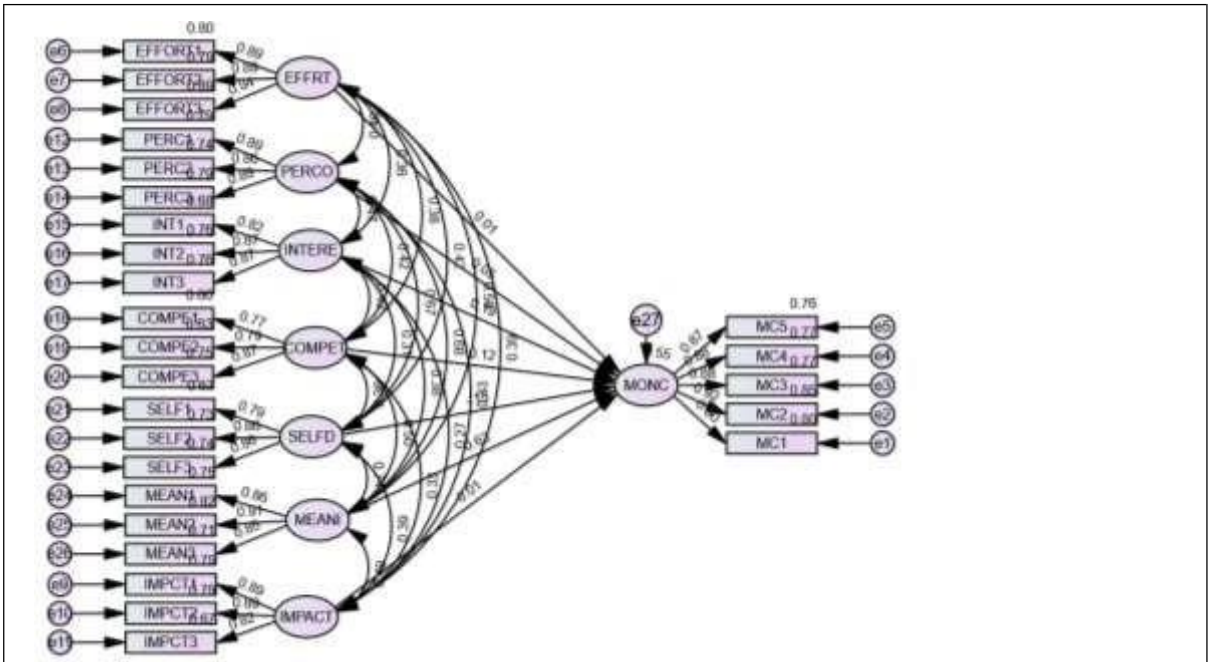
TESTING OF HYPOTHESES – LOWER ORDER CONSTRUCTS

First the lower order hypotheses were studied to test the impact of Intrinsic Motivation constructs effort, perceived competence, and interest on monetary compensation; and psychological empowerment constructs "meaning, competence, self-determination and impact" on monetary compensation. The variance inflation factor for each variable were under 3 indicating the correlation levels between variables were not concerning indicating no collinearity issues (Hair et al., 2019). Then the hypothesized relationships were tested using structural equation modeling. The path analysis (Table 5, Figure 5); reveal that all the constructs except impact influence on monetary compensation was not statistically significant (p>0.5), however, all other six constructs "effort, perceived competence, interest, meaning, competence, and self-determination" are positive and statistically significant influencing the monetary compensation. Therefore, the hypotheses H1 to H6 are supported (Table 5). Our results are in line with the results presented by Gupta and Singh, 20108; Srivastava and Singh, 2019 and Rai et al., 2018.

Table 5: "Testing of hypotheses (lower order constructs"

Path relationship	VIF	ß	t-value	p-value	Result
H1: Effort → Monetary Compensation	1.314	.245	5.568	***	Accept

H2: Perceived Competence → Monetary Compensation	1.614	.284	3.086	.039	Accept
H3: Interest → Monetary Compensation	1.377	.245	4.397	***	Accept
H4: Meaning → Monetary Compensation	1.673	.179	2.348	.019	Accept
H5: Competence→ Monetary Compensation	1.289	.146	2.700	.007	Accept
H6: Self-determination→ Monetary Compensation	1.432	.815	8.262	***	Accept
H7: Impact→ Monetary Compensation	1.664	.011	.325	.745	Not supported
Source: primary data processed					



"Figure 5: Structural model: and relationships among the constructs"

VALIDATING HIGHER-ORDER CONSTRUCTS

In this empirical study, intrinsic motivation (with 3 sub-dimensions) and psychological empowerment (with 4 sub-dimensions) were modeled as higher order constructs. The second step involved the validation of higher-order constructs, while lower-order constructs were used to assess reliability, validity, and model fit. Initially, the outer loadings for all variables are computed, and each of these outer loadings exceeds 0.7 (see Table 6). As indicated by

(Ullah et al., 2023). To measure the reflective higher-order constructs, the first step is to assess multi-collinearity issues in the reflective tolerance value of the independent variables; and the tolerance values for the independent variables exceed 0.20 relationships among the constructs; the independent variables have variance inflation factors (VIF values) below the threshold limit of 4, and their eigenvalues are not near zero. Finally, the values of the condition index for all independent variables are below 15. Thus, this study did not identify any multi-collinearity issues. Consequently, additional analysis was conducted. All the factor loadings for higher order constructs were 0.70, composite reliability values for three constructs Intrinsic motivation, psychological empowerment, and monetary compensation are >0.7, and AVE are >0.5 confirming the reliability, consistency and discriminant validity. Table 6 indicates the reliability and convergent validity, where the discriminant validity results (Fornell and Larcker, 1981 criterion) are presented in Table 4, while the HTMT analysis results are presented in Table 7.

TABLE 6. Reliability and Convergent validity of the higher-order constructs (Fornell and Larcker, 1981) criterion

Construct	Intrinsic motivation	Psychological empowerment	Monetary compensation
Intrinsic motivation	**0.763**		
Psychological empowerment	0.010	**0.762**	
Monetary compensation	0.038	0.091	**0.804**

TABLE 7. HTMT analysis			
Construct	Intrinsic motivation	Psychological empowerment	Monetary compensation
Intrinsic motivation			
Psychological empowerment	0.032		
Monetary compensation	0.085	0.067	

MEASUREMENT MODEL OF HIGHER ORDER CONSTRUCTS

The measurement model for higher-order constructs has three constructs: Intrinsic motivation, psychological empowerment and Monetary compensation, satisfaction. The model fit is excellent, as evidenced by the model fit statistics CMIN or χ^2 =1382.518, df=651 χ^2/df=2.127, p<0.001, RMSEA=0.047, SRMR=0.068, CFI=0.954, NFI=0.908, TLI=0.945 and PClose 0.885. The squared multiple correlation R^2 = 0.53 indicated that 53% of the variance in monetary compensation was explained by psychological empowerment and intrinsic motivation (Figure 6).

HYPOTHESES TESTING WITH HIGHER ORDER CONSTRUCTS

The measurement model was validated by analyzing the structural relationships among higher-order constructs to validate the hypotheses.The study is based on determining multidimensional nature of psychological empowerment, which is measured with 4 sub-dimensions and intrinsic motivation, which is measured with 3 sub-dimensions. After carrying out path analysis and measuring the significance of the structural relationship, it was founding that both Intrinsic motivation and psychological empowerment are positive and statistically significant impacting the monetary compensation (p<0.001, Table 8)

Table 8: "Testing of hypotheses higher order constructs"				
Relationship	ß	t-value	P	Result
Intrinsic motivation → Monetary compensation	0.791	11.811	<0.001	Accepted
Psychological empowerment → Monetary compensation	0.666	8.911	<0.001	Accepted

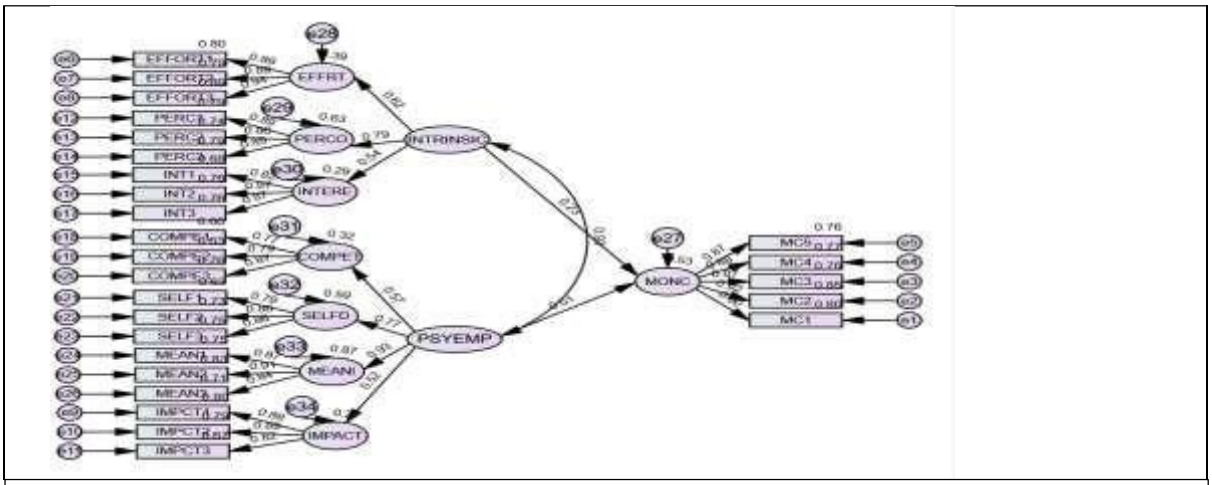


Figure 6. Structural mode with relationships (Higher order constructs)
INTRINSIC: Intrinsic motivation; PSYEMP: Psychological empowerment; MONC: Monetary compensation

MEDIATION ANALYSIS

The researcher investigated how intrinsic motivation influences the connection between psychological empowerment and monetary compensation. The results reveal partial mediating effects of intrinsic motivation on the relationship between psychological empowerment and monetary compensation (ß=0.364 (direct effect), p<0.001; & 0.243 (indirect effect), 0.123, t=2.094, p<0.05). Given that the direct and indirect effects are positive and statistically significant, it can be said that intrinsic motivation partially mediates the relationship between psychological empowerment and monetary compensation. The results of the mediation analysis are summarized in Table 9. The results support H10 is supported (Figure 7).

Table 9. Summary of Mediation Analysis

"Relationship"	"Direct effect"	"Indirect effect"	"Confidence Interval:		"p value"	"Conclusions"
			Lower bound	Lower bound		
Psychological empowerment→ Intrinsic motivation → Monetary compensation	0.364 (p<0.01)	0.243	0.134	0.474	<0.05	Partial mediation

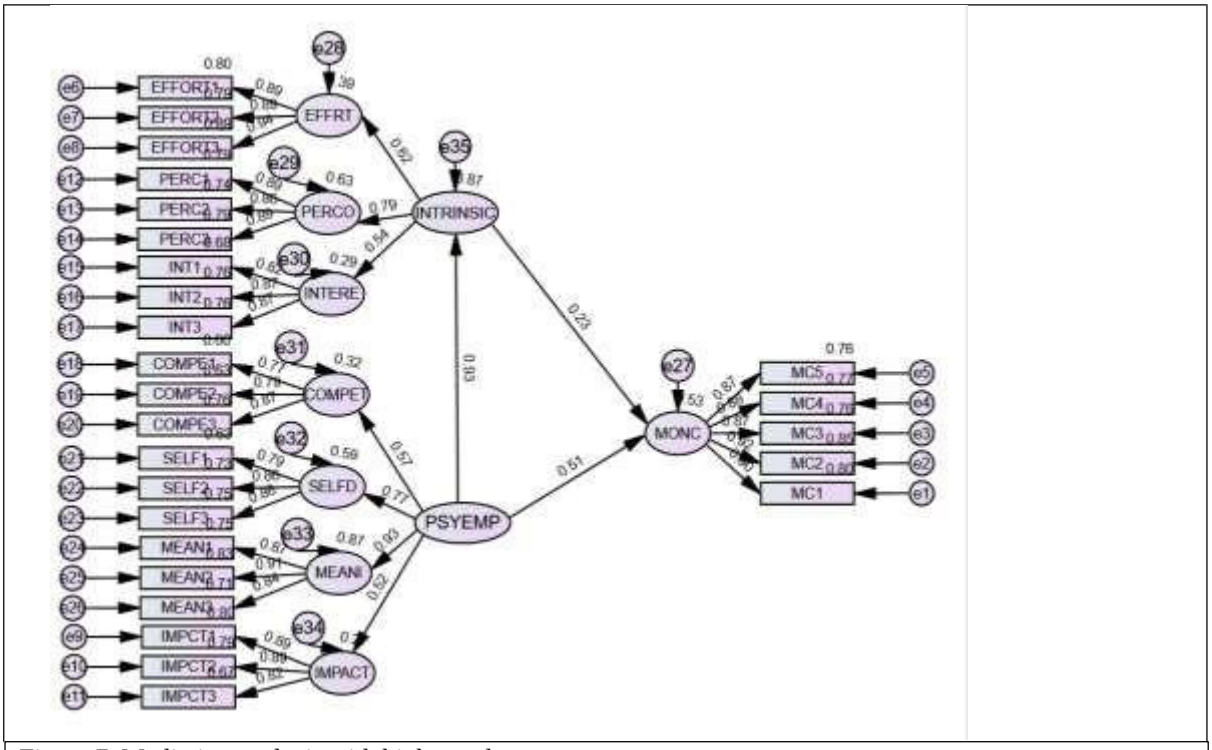


Figure 7. Mediation analysis with higher order constructs

DISCUSSION

The study carried out was unique because this empirical research modeled both the higher- and lower-order constructs to assess the impact of psychological empowerment and intrinsic motivation on monetary compensation. The authors carried out this study following the model of Zaheer et al. (2023). The authors reported the relationship between psychological empowerment and monetary compensation, with intrinsic role as a mediator. The structural equation modeling analysis results indicated that intrinsic motivation partially mediated the relationship between psychological empowerment and monetary compensation. Khan et al. (2021) examined psychological empowerment and intrinsic motivation and their impact on job performance and turnover intention. The study concluded that intrinsic motivation has a statistically significant effect on employee turnover intention. Our results also indicate the importance of intrinsic motivation, which influences psychological empowerment and monetary compensation.

Zhang and Bartol's 2017 study explored the influence of psychological empowerment and intrinsic motivation on employee creativity and leadership in the Chinese information technology industry. Creative process engagement, psychological empowerment, and intrinsic motivation are all positively impacted by empowered leadership, and the link is moderated by empowerment role identity. Our results are consistent with the authors' findings. Andika & Darmanto's (2020) study explored the influence of psychological empowerment and intrinsic motivation on employee performance, highlighting the mediating role of organizational commitment. The PLS-SEM results indicate that empowerment and intrinsic motivation significantly impact organizational commitment and employee performance.
Ayuandira et al. (2023) investigated the influence of leadership empowerment and employee intrinsic motivation on the correlation between turnover intention and psychological empowerment. The data were gathered from industrial employees at Bahadopi Regency, Central Sulawesi. The PLS-SEM results indicate that empowering leadership, a well-structured compensation system, and employee intrinsic motivation significantly influence turnover intention. Empowering leadership and a well-structured compensation system significantly impact turnover intention, largely due to employees' intrinsic motivation.

CONCLUSIONS

Although there are several studies on psychological empowerment in general, the literature is very limited in terms of structural equation modeling (SEM) assessments of the three constructs of psychological empowerment, intrinsic motivation, and monetary compensation. The researchers used valid responses received 500 responses and carried out structural equation modeling analysis. The authors IT industry employees in and around Hyderabad. The required sample size for an unknown population in the IT sector is 384; for SEM analysis, the required sample size is 155 on the basis of the James Gaskins formula. The outcome can be easily generalized to some extent. The authors suggest that similar types of studies add psychological well-being constructs to make the study more elaborate and dissect the behavioral aspects of the psychology behind employee behavior.

LIMITATIONS OF THE STUDY

- Intrinsic motivation and psychological empowerment are subjective constructs, making them challenging to measure accurately, though the published scales are available
- The findings may be limited to the specific context of the IT sector and may not be directly generalizable to other industries.
- The sample size may be constrained by practical considerations, which might impact the generalizability of the findings.

PRACTICAL IMPLICATIONS

The research highlights that factors such as psychological empowerment, intrinsic motivation, and monetary compensation are important factors of information technology industry employees. The remuneration, can significantly influence employee behavior and is a factor for motivation of the employees. This paper presents a straightforward three-factor model of psychological empowerment, intrinsic motivation, and monetary compensation to demonstrate how and why the introduction of incentives could lead to the crowding out of intrinsic motivation. Research suggests combining psychological empowerment and expectancy theories in banking organizations for psychological autonomy, financial remuneration, performance-based rewards, and individual empowerment for improved work performance. Understanding the impact of psychological empowerment, monetary compensation, and intrinsic motivation on workers' performance can aid managers and researchers in developing effective workplace-motivating techniques and interventions. Intrinsic motivation influences people's reactions to psychological empowerment and monetary remuneration, suggesting that effective motivating tactics must acknowledge and accommodate individual differences. Performance-based reward systems in organizations can enhance job performance by tying compensation to team and individual performance. Managers can increase autonomy, accountability, and task importance through redesigning job roles, leading to higher intrinsic motivation and job satisfaction. Encouraging individual empowerment in decision-making and workplace design can boost creativity, problem-solving skills, and work performance. Organizations can invest in training and development initiatives, increasing employee confidence and competence. This empowers the workplace, encourages intrinsic motivation, and improves overall performance.

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