



Assessing The Economic Dependence Through The Lens Of Employee Loyalty: An Empirical Evidence For Pakistan Stock Exchange

Dr Junaid Athar Khan^{a*}, Dr Naseeb Shah^b, Muhammad Akbar Amin^c, Dr Basharat Khan^d

^aAssistant Professor, Institute of Business Studies and Leadership, Abdul Wali Khan University Mardan. ^bAssistant Professor, Abasyn University Peshawar. ^cRegistrar, FATA University, PhD Scholar Abasyn University Peshawar. ^dLecturer, Department of Management Sciences, Hazara University

*Email: junaid@awkum.edu.pk

Abstract: The present research attempts to explore the connection between wages, compensation, incentives and bonuses, and employee loyalty with the aim to analyze their economic dependence through the lens of how loyal they are to their organizations. In order to validate the suggested model, a survey of Pakistan Stock Exchange employees was undertaken with a structured questionnaire, and responses from a sample of 120 were examined using a PLS-SEM modeling approach. Quantitative methodology was used to collect data from the selected participants through a pre-structured and self-administered questionnaire, which was then analyzed using a specialized statistical analysis tool STATA. The findings of the study suggest that economic dependence has a significant impact on employee loyalty, and in light of these findings to ensure that corporation personnel is devoted, HR managers can establish pertinent procedures and advance organizational rules, as well as employers, could be given the instruments and techniques required to identify more precise methods of mapping economic dependence.

Keywords: Employee loyalty, Economic Dependence. Pakistan Stock Exchange (PSE)

1.Introduction

The business climate of today is defined by competitiveness, unstable economic conditions, and rapid local and worldwide technological change, whereas the employee loyalty concept has undergone considerable changes due to the variation in the connection between workers and employers, in this era employees are more devoted to their jobs than to their employers, and aside from this, the modern worker links loyalty to financial stability and demands tangible results from employers, among other things. According to Walker and Boyne's (2005) research, employees who are happy in their positions are more likely to stay with their companies, if they offer them a clear career path, possibilities for on-the-job training, and opportunities to advance within the company. In addition, Solomon (1992)

states that an employee's loyalty is a reflection of their willingness to stick around as well as their involvement and identification with their company, whereas loyalty is the extent of person's tendency or desire to continue working with or keeping his/her association with another person or organization (Guillon and Cezanne, 2014). The majority of businesses don't want to lose their best and most skilled staff to competitors Rishipal and Manish (2013) has cracked employee loyalty the driving force to draw attention as a management concept from numerous researchers who have explored it from various backgrounds.

Moreover, for the well-being and survival of the employees in the competitive climate, the corporation must maintain a higher degree of employee engagement in order to retain the successful operation of the business. Rigorously, Alvi, et al., (2013) have recognized that motivated employees are pushed to work hard beyond their level of competency as per the desired objectives set by the employer. Which stifle the progressive approach among the workforce promote contentious environment. Although Chung (2013) categorized individual with this attribute appears to be loyal with other complementary attributes such as organizational behavior. A high commitment level tends to become one dominant factor to shape individual behavior to be integrated with organizational policies and feels unsatisfied in case of leaving the organization

Employee loyalty and cooperation have been declared crucial driving force by Essono & Sandeep (2016) over organization's sustainability. However, the problem is that most workers don't seem to be committed to their employers. They become the victim of negative attitude which is driven by malpractices such as theft, fraud, absenteeism and strikes. The success of the organization can be assess with the quality of workforce, their vision and desire to work for common goal. The ambition to work as team engenders their attributes towards mitigation of negative effects

In the case of Pakistan Stock Exchange the company can be dependent economically on numerous factors, however this paper enact the purview of employee loyalty as economic dependence. The loyalty factor of employees compels economic dependence overpowered over the other factors because employees cannot be substituted/changed promptly over a period of time with corresponding others factors deals with the company. The other factors of economic dependence can be demand and supply or the revenue/cost from the other projects of the company. Most of the companies around the globe are dependent on one another in some way or other. But once companies become weak internally, cannot encounter problems with employees hence difficult to survive rather seek marginalized attention in the public place like KSE. Therefore, the direct association of economic dependence with employee loyalty can be found spiritedly in this research paper to confine with these two variables to conclude the comprehensive outcome (Akhigbe and Ifeyinwa, 2017). Economic cost can be inevitable in the extent of employee performance in the ambit of their job description and fulfilling the responsibilities in accordance with revenue. Therefore, it is not unexpected that the majority of enterprises devote a significant amount of time and energy to developing suitable economic payment systems to accommodate all such varied pressures. Every firm faces a fundamental problem with economic dependence because it has a direct relationship with employee loyalty (Putra et al., 2019), whereas Nantaet al., (2010) stated that businesses must have to develop strategies and plans related to economic dependence in order to improve employees loyalty. However, the majority of the past literature mostly explored the possible repercussions of employees loyalty on the corporation's growth and performance, and the factors that affect such loyalty considerations, while a limited strand of literature is found on the concept of economic dependence of employees on the corporations and its correspondence impact on their loyalty.

2. Literature Review

Employee loyalty has long attracted the attention of scholars and executives, due to the positive outcomes associated with high levels of such traits, including hard work, improved customer service standards, and fewer plans to quit, all of which improve organizational effectiveness. (Drizin and Schneider, 2004; Loveman, 1998; Sweetman, 2001; McCarthy, 1997; Hoffmann, 2006; Sirdeshmukh, et al., 2002; Sweetman, 2001; Loveman, 1998; Brown, et al., 2011; Ton and Huckman, 2008). Loyal workers often go over and above their job to advance the business, and an increasing amount of research on economic dependence has modeled the significance of employee motivation's non-financial sources and demonstrated that production is increased when employees function in the employer's best interests (Drizin and Schneider, 2004; Sweetman, 2001; Hajdin, 2005; Akerlof and Kranton, 2005; Benabou and Tirole, 2003; Besley and Ghatak, 1996). Whereas Javed et al., (2020) categorized factors into internal and external that can affect loyalty and have an impact on how engaged and committed employees are, and in essence, loyalty is an emotional attachment to an organization's core principles, including its culture, traditions, and ethics. Internal dimensions were taken into consideration to be an emotional component based on each person's unique sense of compassion, promise, and abrasion. The subsequent effects on employee loyalty are considered to be valued and drawn to external measurements since they must function loyally obviously on their own. This characteristic includes actions that display the emotional component and is the part of loyalty that illustrates variance at the highest level (Arshad, et al., 2013).

Previous studies such as Elegido, (2013); Randels, (2001); Schrag, (2001) have examined the causes, characteristics, and effects of loyalty to employers and organizations, and some contend that loyalty is advantageous to both employers and organizations, while others cast doubt on its worth. The studies have suggested that most of the business prioritize the current assign obligations which falls in the ambit of explicit and implicit contractual obligations and ignore the contribution of old age or senior employees. The redundancy policies often shackled the trust of management and employees with no financial gain can worsen the environment. (Dabos and Rousseau, 2004; Harmon, et al., 2015). Moreover, businesses aim to develop tight ties with their workforce, due to the fact that retained personnel are the foundation of ongoing growth and profitability. In addition, a strand of literature on the topic of developing and maintaining employee loyalty provides evidence that economic dependence promotes long-lasting good connections (Dhir, and Ghosh, 2019). According to the concept of economic dependence, a close bond between employers and employees is the ideal situation, and employees are eager to exchange economic dependence in addition to social dependence as the firm devotes more resources to developing connections (Guo et al., 2013). (Dabos and Rousseau, 2004) Furthermore, Gassenheimer et al. (1998) argue that sustained relationships between employees and employers cannot exist without some degree of economic dependency.

Since, loyalty is the leading factor over the other factors for economic dependence. It is the key to promote interpersonal relations with co workers and quite help full to attract outnumbered customers at the mounting level. The experienced employees can manage customers in better way extended long lasting friendly relations. In this way most of customers problems solved at upfront, lower level with no time delay. (Michlitsch, 2000) In fact nothing works like that when workers committed to involve in companies affairs to bring efficiency in the affairs with experienced and competency. This positive behavior encourages the management to share a large portion in the form of reward further diffuse motivation among the employees. The profit of one project has impact on number of other activities positively and this has become winning cycle in the operation of the company as an

ambit of economic dependence. (Markorva and Ford, 2011). Employee loyalty is described from different perspectives such as psychological and philosophical lenses by several authors in the past including Randels, (2001); Hart and Thompson, (2007), whereas a few studies like Hoffmann, (2006); Hart and Thompson, (2007); Schrag, (2001); Randels, (2001) defined it as an attitude, virtue, behavior, and a mixture of psychological virtues and traits. Sweetman (2001) described the pleasant features of that behavior possessed by loyal workers that their social order becomes secondary over their professional business works. They do not comply with their social gathering as priority and often ignore with the corresponding official task. The previous studies such as Leck and Saunders, (1992) Hart & Thompson, (2007) channelized such relation in more substantive way. However, Cohen (2009) explained the given relationships with the extent of benefits salaries/ perks in accordance with future retirement/ pensions benefits.

It is provided by numerous studies Benabou and Tirole, (2003); Besley and Ghatak, (1996); Francois, (2007) that beside with the core variable there are other reasons drive the interest of employees towards the best interest of company. The money can be one of them however most often it does not work. The self esteem and physiological factors runs most additive in the same nature, likewise philosophy is carried out with the addition of pride and sense of belonging by Randels, (2001); Hoffmann, (2006); Elegido, (2013). The economic theory enhanced the principle of intrinsic motivation when workers are willing to work for less money when the intrinsic motivations of the employee and the ideals of the company are more in line, and this is because intrinsic motivations can replace monetary benefits (Akerlof and Kranton, 2005; Francois, 2007; Besley and Ghatak, 2005; Benabou, et al., 2003). Akerlof and Kranton (2005) issued an extraordinary tendency of low pay and more work in accordance with company set goals. The authors explained that this indirect relation can paved the way for competitive advantage and growth. This remarkable inverse relationship is applicable to all tiers of employees in business organization.

The most compelling evidence that loyal workers do not look for alternate employment options and do not respond to offers from other companies, and they demonstrate their commitment to their company by living according to its vision and principles, putting forth a lot of work, and presenting a favorable impression of it to outside stakeholders (Turkyilmaz et al., 2011; Dhir et al., 2020; Durkin, 2007). In addition, they are more likely to put in extra time, have lower turnover, and provide better services (Guillon and Cezanne, 2014, Durkin, 2007).

Quite the contrary the lack of loyalty factors in the employees tender the preoccupied negativism which turns into absenteeism and turnover (Davis, 2015). The tenderness of this negative attitude is reflected in the comparison study of business firms. Organizations whose employees been suppress with this misnomer are more likely productive in almost in the entire activities of the operation. (Kim et al., 2016; Rice et al., 2017) Employee loyalty can be firmly a dominant factor in economic dependence and declare the greatest assets, essential factor of success (Aityan and Gupta 2012). Dhir and Ghosh (2019) have conducted study on managerial executives in India and established that loyalty has most significant measure in the extent of job satisfaction and Job performance. The study has proposed that employer must focused at the time hiring fresh candidate compatible with both job fit and organizational fit to feed off the essence of employee loyalty. However, the study seeks to penetrate philosophy on the basis of job specification to fulfill the requirement of job fit. The person compatibility with organizational culture has high rank gaining employee loyalty. The compendium to ensure loyalty in employees one way or the other but crux of this study to go for organizational fit in order for long lasting success and ignore person job fit for a short. The reason to keep job fit overwhelm for the short time because this type of skill can be promoted with little training and even by imparting on the job training. To keep the track of the literature review the study

proposed the following hypothesis to be tested.

H1: *Promoting a sense of economic dependence on the organization among employees increases their corresponding loyalty.*

3. Research Methodology

The present study has employed the positivist research philosophy and following the research philosophy, the deductive research approach is adopted because of the nature of the study. Furthermore, in the context of the data collection approach, quantitative research methodology was employed and data was retrieved through the questionnaire distributed among the employees of Pakistan Stock Exchange Limited. 150 Questionnaire were distributive through simple random sampling out of which 120 were returned complete from all aspects. In addition, data were retrieved from those workers who were part of the organization for three or more years and employees from every category were included in the study.

To measure the relationship of the t since the aim of the present study is to develop a relationship between economic dependence and employee loyalty; therefore, it is presumable that workers must have been a part of the organization for at least three years since it is required for employees to provide the most accurate responses to questionnaires. In addition to reporting their tenure with the organization, respondents were questioned about their demographic attributes e.g., gender, age, qualification, and how long they had worked with their supervisor. Moreover, respondents had to answer the questions distributed on a Likert scale ranging from 1 to 5 which represents strongly agree and strongly disagree respectively; the Likert scale is a type of scale which have a certain number of possible outcomes with a range from strong agreement to disagreement or any other measuring scale. Furthermore, for measuring the economic dependence of employees, three variables have been deduced from the past literature that includes wages, compensation packages, other incentives, and bonuses. The collected data was sorted into an excel file and then analyzed through a specialized statistical analysis tool STATA. Moreover, the survey was conducted by structured questionnaire to validate the model, and the questionnaire was classified into two parts, part one includes the demographic information, and part two comprises of statements about the chosen constructs.

4. Analysis and Discussion

The PLS technique has been used to test the proposed research model, and applying covariance-based structural equation modeling (SEM) to the entire model has provided novel insights regarding factorial data. Additionally, smart PLS software was utilized to analyze the SEM indices, and utilizing this approach has the advantage of being able to handle real data issues such as missing data, data noise, and skewness. In addition, a statistical method called factor analysis is used to explain the variance among unobserved variables, correlated variables, and observed variables; moreover, Tabachnick and Fidell (2007) stated that using this technique, the researcher may decide which collection of special objects best measures a particular construct.

4.1 Confirmatory Factor Analysis

CFA was used to verify the construct validity, which assesses how effectively an assortment of items is suited to measuring a concealed parameter, and CFA is performed on the array of variables to explain whether subgroups of a variables acquisition are linked to one another; however, distinct from other parameters. In addition, the final

parameter set includes four items namely, employee loyalty, wages, compensation, incentives, and bonuses. Furthermore, internal consistency, which is assessed using Cronbach's Alpha, was introduced as a commonly used reliability metric by Cronbach in 1951. According to experts' recommendations such as Hock and Ringle, (2010), table 1 demonstrates that the model is sufficient with all acceptable reliability values larger than 0.7 for confirmatory purposes.

Table 1: Factor Analysis

Variables	Factor Loading	Cronbach's Alpha
Employee Loyalty		0.90
ELO 1- I am quite satisfied with the job	0.70	
ELO 2- Prefer to work with this organization for my lifetime	0.73	
ELO 3- Organization gives me a sense of belongingness and affiliation	0.80	
ELO 4- No fundamental things I dislike about my job	0.88	
ELO 5- I like my job	0.68	
Wages		0.84
WA 1- The wage I receive is market competitive	0.79	
WA 2- The wage is paid justly and equitably	0.74	
WA 3- Help me to meet my personal and family expenditures	0.70	
WA 4- I am satisfied with the wages	0.81	
WA 5- I feel privileged to work in my organization	0.69	
Compensation		0.88
COM 1- My organization compensates employees	0.73	
COM 2- Performance appraisal mechanism	0.84	
COM 3- Intrinsic and extrinsic considerations	0.79	
COM 4- Compensation packages also include perquisites and insurance	0.80	
COM 5- Psychological and physical needs of employees	0.84	
Incentives and Bonuses		0.87
IB 1- Market competitive incentives and fringe benefits	0.69	
IB 2- The organization pays quarterly bonuses	0.78	
IB 3- Incentive plans also cover insurance	0.86	
IB 4- Effective mechanism for measuring and paying equitable retirement benefits	0.77	
IB 5- Tax exempt	0.82	

4.2 Path Modelling

4.2.1 Quality of Measurement Model

It has been discovered that all blocks' communality scores for the chosen constructs are positive and the cross-validated commonality index (H2) values must be positive for all the blocks in order for any measurement model to be accepted, as well as in light of this, it is determined that the measurement model is appropriate for all blocks as per values of table 2.

Table 2: Measurement Model Evaluation

S no.	Variables	Cross-validated commonality index (H^2)
1	Employees Loyalty	0.33
2	Wages	0.53
3	Compensation	0.31
4	Incentives and Bonus	0.51

4.3 Quality of Structural Model

By using the Redundancy Index, the structural model's quality has been evaluated, and for this aim, the cross-validated Redundancy Index (Stone-Q²) Geisser's has been computed using the PLS blindfolding option, as well as for a solid structural model, positive values of Q² are desirable. Furthermore, table 3 shows that all the factors have shown predictive relevance and the R² value indicates that the model accounts for 70% of economic dependency and 66% of employee loyalty. Additionally, the model has demonstrated a respectably greater degree of explanatory power, even though the Goodness of fit score isn't a smart PLS outcome, it has nonetheless been manually determined using the formula $\sqrt{(R^2 \times \text{Communality})}$, and both values are observed to be comfortably within the range of 0-1.

Table 3: Structural model fit indices

S no.	Variable	Cross-validated redundancy index Q ²	R ²	Goodness of fit
1	Economic Dependence	0.27	0.71	0.67
2	Employees Loyalty	0.45	0.65	0.59

4.4 Descriptive Analysis

The key summary statistics of the responses in regard to four variables of the given study are presented in table 4.

Table 4: Summary Statistics

	Mean	Std. Deviation	Skewness
ELO	4.11	0.91	-0.16
WA	3.35	0.74	-0.61
COM	4.84	0.59	-0.46
IB	4.31	0.66	-0.34

Note: ELO is employee loyalty, WA is wages, COM is compensation, and IB is incentives and bonuses.

The given tables show that the mean values of the variables are ranging from 3.35 to 4.84, satisfying that the values concerning employees' loyalty and the level of economic dependence are ranging from moderately higher to the highest one, i.e. from 3.0 to 5.0. Additionally, it was determined that the highest mean score in terms of compensation was 4.84 with a standard deviation of 0.59, incentives and bonuses came in second with a mean score of 4.31 and a standard deviation of 0.66, and wages came in third with a mean score of 3.35 and a standard deviation of 0.74, which shows the distribution of responses against all the selected variables are highly dispersed and have limited concentration to the central tendency.

4.5 Pearson Correlation and Regression Analysis

The outcomes of the Pearson correlation analysis and multiple regression analysis are displayed in Tables 5 and 6, respectively, whereas the purpose of the correlation analysis is to show the strength or direction of the linear relationship between the selected study variables.

Table 5: Pearson Correlation

	WA	COM	IB	ELO
WA	1			
COM	-0.36**	1		
IB	-0.25*	0.35**	1	
ELO	0.036**	0.003*	-0.041**	1

Note: ELO is employee loyalty, WA is wages, COM is compensation, and IB is incentives and bonuses.

The correlation analysis's findings aid the researcher in identifying the anticipated relationships between the major variables under consideration. Table 5 shows that wages and compensation are positively and significantly correlated with the employees' loyalty, whereas incentives and bonuses have a negative and significant connection with employee loyalty.

Table 6: Regression Analysis

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	β	Std. Error	Beta		
(Constant)	1.31	0.00		4.81	0.02
WA	0.72	0.47	0.01	2.14	0.00
COM	0.45	0.37	0.03	1.53	0.00
IB	-0.21	0.01	-0.16	-3.10	0.00

Adjusted R Square = 0.64

Furthermore, the output of table 6 exhibits that wages, compensation, incentives, and bonuses have a valuable influence on employee loyalty on the employees working in Pakistan Stock Exchange Limited. The coefficient of the wages and compensation is positive which indicates that there is a positive relationship while the incentives and bonuses coefficient is negative, exhibiting an association with the employee's loyalty. Besides this, the output of the Adjusted R Square reveals that all parameters have the propensity to alter the relationship between employees and employers by up to 64%, indicating a high goodness of fit index for the provided model.

4.6 Discussion

A vast strand of studies focused on the elements influencing an employee's sense of belongingness to his or her firm in light of a scenario in which corporate success is measured in terms of both employee performance and loyalty (Raiet al., 2018). The findings of the present study suggest that wages and compensations possess a positive impact on employee loyalty, while incentives and bonuses pose a negative impact on the loyalty of employees working in the Pakistan Stock Exchange Limited. The findings concerning the compensation of employees obtained by this study are supported by the study of Hay Group, (2013), who stated that the main drivers of job switching are workers' concerns about the fairness of their compensation and career goals, whereas Walker and

Boyne (2005) found that employees who are happy in their positions are more devoted to the company when it offers them a clear career path, opportunities for on-the-job training, and possibilities to advance within the company. Furthermore, for the health and well-being of the employees in the competitive climate, the corporation must maintain a higher degree of employee engagement in order to retain the successful operation of the business. Internal and external factors that affect loyalty have an impact on how engaged and committed employees are. Bhuvanaiah and Raya (2015), stated that the term loyalty refers to employees who are committed to the success of the organization and believe that working for the specific company is good for them and their professional development; however, this loyalty comes when employees are getting market competitive wages and compensation packages.

Moreover, economic dependence is seen as the primary factor in motivating workers and improving performance (Ikramullah et al., (2012). The workers' willingness to work longer is highly influenced by the organization's compensation plan (Putra et al., 2019). According to Gaol (2014), the employee accepts incentives and bonuses as reward for their contributions to the company, whether it comes in the form of cash or not; however, such compensation is usually awarded on the description of the management instead of channelizing them through some proper channel or according to some set standards. Wibowo (2016) asserts that remuneration is a counter-achievement of the usage of labor or services rendered by the worker; therefore, they help motivate them and makes them loyal when received fairly. However, Konopaske, et al. (2018) evidenced that incentives and bonuses, which are perceived as unjust and unfair by employees influence their attitudes and behavior in a number of ways e.g, turnover, performance, absenteeism, and commitment, which consequently influence organizational efficiency and effectiveness. Moreover, as per Robbin and Judge (2015), paying wages or receiving more remuneration results in hiring better-qualified, more motivated workers who stay with the corporation for a long time.

5. Conclusion

The aim of the present study is to investigate the economic dependence of employees on the organization through the lens of employee loyalty. Numerous studies have been done on how important employee loyalty is to business performance; however, very few studies have explored the relationship between employee loyalty and their economic dependence on the corporation. The findings of the study reveal that economic dependence has a significant impact on employee loyalty; therefore, corporations have to pay greater attention to the economic dependence factors e.g., wages, compensation, incentives, and bonuses which might improve worker loyalty as well as assist any organization to remain viable in the current competitive environment. Additionally, retaining key personnel is a difficult challenge that organizations face in an uncertain business environment, and it is important to recognize that economic dependence plays a crucial role in fostering loyalty. However, the study suggested that incentives and bonuses should be paid by employers in a just and fair manner because such compensations are usually paid according to the personal discretion of the organization or employers, which usually create a sense of deprivation or rebellious behavior when an employee perceives that they are not treated fairly.

Moreover, the results of the present study have important implications for how corporations can create an environment that will increase employee loyalty and promote the sustained success of businesses with contented workers. In order to have devoted employees, HR managers can implement appropriate practices and advance corporate policies by successfully comprehending the relationships described in the present research, as well as this, would assist businesses in boosting general productivity both on an individual and corporate level. Moreover,

the present study recommended that recruiters and future researchers should be given the instruments and techniques required to identify more precise methods of mapping economic dependence.

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