

**Arab American University
Faculty of Graduate Studies
Department of Administrative and Financial Sciences
Master Program in Human Resources Management**



**The Mediating Role of Perceived Equity in the Relationship Between
Compensation and Employee's Retention in the Palestinian Banking
Sector**

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**This Thesis Was Submitted in Partial Fulfillment of the Requirements for
the Master Degree in Human Resource Management**

Palestine, Feb /2026

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Arab American University
Faculty of Graduate Studies
Department of Administrative and Financial Sciences
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Thesis Approval

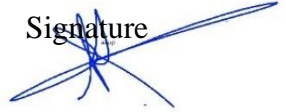


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Declaration

I declare that, except where explicit reference is made to the contribution of others, this thesis is substantially my own work and has not been submitted for any other degree at the Arab American University or any other institution.

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A handwritten signature in blue ink, appearing to read 'Dina', with a long horizontal flourish extending to the right.

Date of Submitting the Final Version of the Thesis: 28/04/2026

Dedication

To my family, who supported me through every hardship and every joy. Your trust in my abilities never faltered, even when my own did. This thesis represents your love and dedication. This accomplishment belongs to you as much as it does to me, and I am forever grateful to have you.

I dedicate this thesis to each one of you.

Dina Majdi Nazmi Alatari

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The Mediating Role of Perceived Equity in the Relationship Between Compensation and Employee's Retention in the Palestinian Banking Sector

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Abstract

This study aimed to investigate the influence of compensations on employees' retention, particularly, the mediating role of perceived equity among employees within the banking sector of Palestine. The study took place between July 2025 and January 2026, concentrating on the banking institutions present in the West Bank, Palestine. The study addresses the empirical problem of sustaining a skilled workforce in the banking sector during times of economic instability and growing competition, advocating the need for fair and competitive compensation systems.

A quantitative approach was adopted in the study, and data was collected using a structured questionnaire. The target population included 6,879 employees of the banks in Palestine in the West Bank. Aiming for a variety of banks and job levels, a stratified sampling method was designed, but in the end, the sample was formed from employees who were available and had the willingness to take part. A total of 297 valid questionnaires were collected and analyzed. The survey encompassed questions pertaining to demographic variables, dimensions of compensation (salary, bonus, and training), dimensions of perceived equity (distributive, procedural, and interactional equity), and employee retention. Descriptive statistics were analyzed using SPSS, while the measurement and structural models and the mediation effect were analyzed using SmartPLS (PLS-SEM).

The findings show that overall compensation, perceived equity, and employee retention were at moderate levels. It was found that compensation has a positive impact on employee retention and a highly positive impact on perceived equity. Moreover, perceived equity significantly and positively contributes to employee retention. Furthermore, the mediation analysis showed that perceived equity partially mediated compensation and employee retention which means that compensation impacts retention directly and also indirectly through employee perception of equity.

In light of the findings, the study recommends Palestinian banks enhancing their compensation system by improving transparency, consistency, and fairness with regard to

salaries, bonuses, and training. Improving the distributive, procedural, and interactional equity will help to improve employee retention and, in the long run, help bolster stability within the organization.

Nonetheless, there are a number of limitations that warrant caution when evaluating the findings. These include a cross-sectional study design, that limits causal inference, the limited scope of generalizability to the banking industry in West Bank Palestine, and sensitivity to compensation issues and possible response bias. Also, the time, political and economic conditions that existed when the data were collected may have influenced the perceptions of the respondents.

Keywords: Compensation, Perceived Equity, Employee Retention, Procedural Equity, Distributive Equity.

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List of Definitions of Abbreviations

Abbreviations	Title
HRM	Human Resource Management
AVE	Average Variance Extracted
KMO	Kaiser-Meyer-Olkin measure of sampling adequacy
PLS-SEM	Partial Least Squares Structural Equation Modeling
SPSS	Statistical Package for the Social Sciences
HTMT	Heterotrait-Monotrait Ratio
VIF	Variance Inflation Factor
R ²	Coefficient of Determination
f ²	Effect Size
SAL	Salary
BON	Bonus
TRN	Training
DJ	Distributive Justice
PJ	Procedural Justice
IJ	Interactional Justice
ER	Employee Retention

Chapter One: Introduction

1.1 Background

Companies across the globe are dealing with critical HR challenges such as increased turnover, increased costs of hiring, changing demographics of the workforce, increased competition on a global scale, and many others. These issues are much more severe due to the faster pace of technological change and changing expectations on equity and fairness among employees, which have transformed the way people assess their relationship with work (Ali et al., 2023; Alimin & Ramdhan, 2025). As a result, there is a growing focus among researchers and practitioners on the different aspects that fuel employee motivation and commitment for the long haul (Bytyqi, 2020; Inegbedion, 2022). Consequently, compensation repeatedly surfaces as a predominant factor influencing both commitment and retention.

Compensation in the forms of salaries, bonuses, and non-financial benefits is critical for organizations to shape their employees' attitudes towards their jobs and their future in the organization (Zayed et al., 2022). The equity theory of employee compensation by Adams (1963), posits that employees perceive their compensation to be fair when they compare their rewards and inputs (efforts) to their colleagues. The fairness perception related to outcomes— “distributive equity”—and the processes employed to arrive at decisions regarding compensation, known as procedural equity, has a considerable impact on engagement and commitment and the decision to stay with or leave the organization (Alsadig & Zakariya, 2023; Gevrek et al., 2017)

Companies have started to realize that offering a competitive salary, along with an organized and fair compensation structure is critical. Along with reduced productivity and increased turnover intention, overall dissatisfaction can stem from perceived inequities in compensation. Accompanying a positive organizational culture, to increase employee engagement back compensation equity must be guaranteed (Eren & Demir, 2023; Yu et al.,

2022). On the other hand, trust, retention, and performance in an organization that practices fairness in compensation and reward systems tends to increase (Greenberg, 1987; Malik & Singh, 2022). This aligns with more holistic findings within the organizational justice theory, which shows that compliant participation, treatment within organizations, and respect foster commitment (Gilliland, 1989; Ho, 2024).

In banking and other industries with sharp competition for skilled employees and loyalty of clients, keeping staff is not only a human resource issue, but also a matter of strategy. Financial services institutions all over the world face problems of employee turnover and have recognized the need for attrition control, thereby implementing compensatory strategies to enhance retention and sustain service standards (Ekinci, 2022). These strategies may fail if the underlying systems are not perceived as fair. Compensation perception disparity sufficiently influences how well compensation systems are administrated (Abdin et al., 2020; Z. Jiang et al., 2024).

In Palestine, persisting political conflicts, alongside shifting market conditions, a lack of economic certainty, and strict workforce regulations all contribute to complicated challenges. Even though the Palestinian banking sector is one of the most regulated industries, a lack of skilled employees continues to challenge the industry. As banks are crucial for the economic development, dealing with skilled employee retention has become a very important issue.

While compensation affects retention in most Palestinian banks, in some it works, but rather depends on employees' fairness judgments. Regrettably, very few studies focus on how perceived equity bridges the gap between compensation and employee retention in Palestine. Most studies tend to focus on the psychological processes without studying justice-based or localized equity frameworks (Zahari, N., & Kaliannan, 2023). While demographic factors like gender, position, or years of service might not always strongly influence perceptions of equity, their role is still relatively unexplored within Palestinian organizations, which justifies examining them in this study.

This study seeks to examine the relationship between compensation and employee retention in Palestine's banking industry, with particular emphasis on the mediating role of

perceived equity. This research will help bank managers, human resource practitioners, and even lawmakers understand how equitable a compensation system is and its effect on retention. The results might contribute to the formulation of policies regarding compensation that satisfies the employees, minimizes turnover, and improves the performance of financial institutions in the region.

1.2 Research Problem

Retention continues to be a critical issue for organizations around the world, especially in areas that need a skilled and specialized workforce like banking (Alzghoul & Khaddam, 2024). Changes in the economy, new competing businesses, and heightened expectations of workers have made retention much more challenging (Mazlan & Jambulingam, 2023). For Palestine, political conflict contributes to these challenges alongside economic volatility and limited spatial mobility of workers from the West Bank to Gaza Strip. For instance, real GDP in the West Bank fell by 21% between October 2022 and September 2024, while suspending Israeli work permits cost approximately 17% of its gross national income, and Gaza's contribution to Palestinian GDP declined to just 17% by 2022 (MAS, 2025). These macro-level changes make the labor market in Palestine more turbulent and exacerbate the difficulty of retaining seasoned skilled employees.

The Palestinian banking sector experienced a net loss of workforce in a single year marked with the resignation of 603 employees while only 562 new hires were recorded and an overall turnover rate of 8.7% (Association of Banks in Palestine, 2023). Although some turnover may stem from strategically reconfigured roles, the pronounced surge in voluntary departures points to issues with retention that are fully driven by the employees. Malik & Singh (2022) shared that attractive compensation includes salaries, post-employment benefits, employee bonuses based on performance, and other benefits which help in retaining employees. However, Adams' Equity Theory (1963) posits that perceptions of fairness in distribution must be present for compensation to be effective.

Most existing literature, however, studies compensation and retention separately, and there is a lack of empirical studies focusing on the mediating role of perceived equity in the relationship between the two, especially in the Palestinian banking industry which has unique cultural, political, and economic conditions that may influence perceptions of fairness. With this, the study fills a vital gap in the literature while providing practical evidence-based recommendations to refine Human Resource Policies in banks in Palestine. Grasping this mediation process enables designing compensation packages attractive on financial grounds while enhancing the perception of fairness, leading to higher employee satisfaction, lower turnover, and improved organizational effectiveness.

Accordingly, this study seeks to answer the following problem question:

To what extent does perceived equity mediate the relationship between compensation and employee retention in Palestine's banking sector?

1.3 Research Objectives

The main objectives of this study are:

1. To Assess the level of perceived equity (distributive, procedural, and interactional) among employees regarding compensation practices in Palestinian banks.
2. To assess the effect of compensation (salary, bonuses, training) on employee retention in the Palestinian banking sector.
3. To analyze how compensation (salary, bonuses, training) influences perceived equity (distributive, procedural, and interactional) in the Palestinian banking sector.
4. To assess the effect of perceived equity (distributive, procedural, interactional) on employee retention in the Palestinian banking sector.
5. To examine whether perceived equity mediates the relationship between compensation and employee retention within the Palestinian banking sector.

6. To explore the differences across demographic factors (such as gender, age, education, years of experience, and job title) according to employees' perceptions of equity and their responses to compensation and retention in the Palestinian banking sector.

1.4 Research Questions

The study aims to answer the following questions:

1. What is the level of perceived equity among employees regarding compensation practices in Palestinian banks?
2. What is the impact of compensation (salary, bonuses, training) on employee retention in the banking sector in Palestine?
3. What is the impact of compensation (salary, bonuses, training) on perceived equity (distributive, procedural, and interactional) in the banking sector in Palestine?
4. To what extent does perceived equity (distributive, procedural, and interactional) impact employee retention within the Palestinian banking sector?
5. In what ways does perceived equity impact the relationship between compensation and employee retention within the Palestinian banking sector?
6. What are the major differences among demographic factors (such as gender, age, education, years of experience, and job title) according to employees' perceptions of equity and their responses to compensation and retention in the Palestinian banking sector?

1.5 Study Model

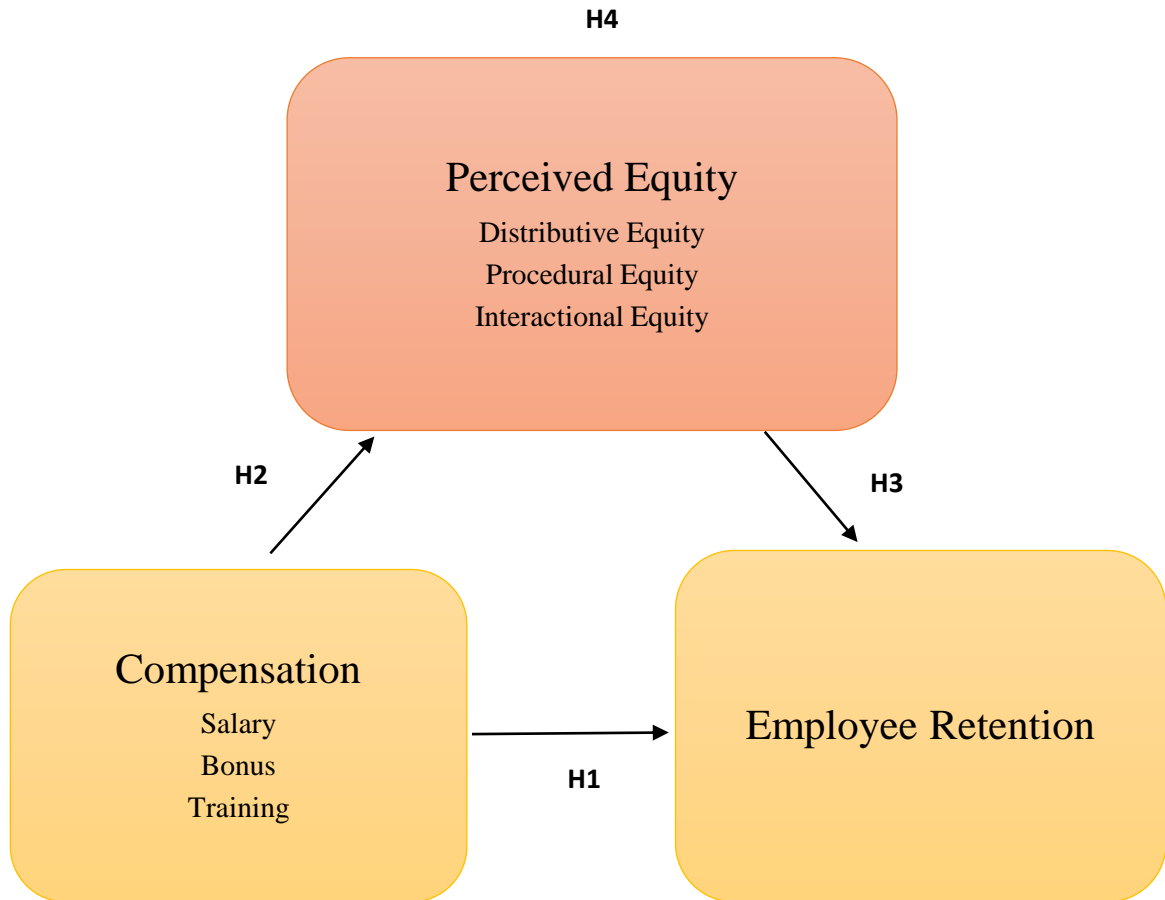


Figure 1.1 Study Model

1.6 Hypotheses

H1: There is a significant impact of compensation dimensions (salary, bonuses, and training & development) on employee retention in the Palestinian banks.

H2: There is a significant impact of compensation dimensions on perceived equity (distributive, procedural, and interactional equity) in the Palestinian banks.

H3: There is a significant impact of perceived equity dimensions on employee retention in the Palestinian banks.

H4: Perceived equity (distributive, procedural, and interactional) mediates the relationship between compensation and employee retention in the Palestinian banks.

H5: There are significant differences among employees' perceptions of equity and their responses to compensation and retention in the Palestinian banking sector according to demographic factors (such as gender, age, education, years of experience, and job title).

1.7 Research Significance and Justifications

Scientific Significance:

The findings from this study may contribute to the current understanding of issues related to employee retention in the Palestinian banking sector. Since the data will be collected from the employees themselves, the banks may apply the results and recommendations provided to improve their retention and compensation policies. If these recommendations are adopted, the banks may improve retention and satisfaction levels of employees which brings greater value to the overall goals of the organization, thus enhancing the effectiveness of the entire banking industry. The findings of this study aim to help policymakers in designing effective compensation strategies and resolve employee retention issues.

This study may also support the existing body of knowledge by expanding on known information from previous studies. It addresses a significant gap in the existing literature that combines compensation, perceived equity, and employee retention within the Palestinian context. It further contributes to the literature by adding the concept of perceived equity as a mediating variable which changes the impact and the relationship of the findings.

Practical Importance:

This study may help bank managers and policymakers understand the employee retention factors, the role of compensation, and equity in a company. It helps management understand how to handle these issues, making it easier to implement strategies aimed at improving employee retention. This research supports the notion that employee's satisfaction and commitment rest on fairness and equity as well. Further, it supports the need for management to create an environment in which employees feel valued and fairly compensated for their efforts and ensures the achievement of personal and organizational goals.

1.8 Scope of the Study

This study examines the impact of differing forms of equity in the compensation system, specifically distributive, procedural, and interactional equity, on employee retention in the Palestinian banking sector. It concentrates on banking employees in the West Bank, Palestine. It analyzes the level of fairness employees perceive in the compensation system, which includes the salaries, bonus, and training and development opportunities offered, and examines their influence on employees' retention decisions. The study is limited to the banking sector and fails to consider other industries. It also examines only equity-related components of compensation and does not consider other possible variables that could affect the retention of employees.

1.9 Definition of Terms

-Compensation: The earliest evidence of compensation appears in the Code of Hammurabi (c. 1750 BCE), which established rules for wages and compensation for damages. It can be defined as “all forms of financial returns, and tangible services and benefits, that employees receive in return for their employment” (Storey et al., 2009, p. 224). And also, compensation is what an organization provides to its employees in exchange for their work. It’s a structured approach to keeping the relationship between the employee and the employer in balance by mixing monetary and non-monetary benefits. As a core function of human resource management, compensation not only motivates people but also contributes to the overall efficiency of the organization (Patnaik, 2012). Compensation encompasses three dimensions: Salary, Bonuses, and Training.

-Salary: Is the regular monetary compensation employees earn for their work, disbursed on a pre-established schedule—usually on a specific day each month (Nugraha et al., 2023).

-Bonus: Additional payment, granted at the employer's discretion, awarded for meeting or exceeding predefined performance targets (Joseph & Kalwani, 1998).

-Training: Deliberate process designed to enhance employees’ knowledge, improve their skills, and shape their attitudes, all in an effort to boost the performance of individuals, teams, and the overall organization (Aguinis & Kraiger, 2009).

-Perceived Equity: The way a person personally evaluates fairness by contrasting how their own ratio of contributions and rewards stacks up against what others receive; fairness feels right when those ratios perceived to be balanced (Adams, 1965).

-Distributive equity: How fairly someone thinks the pay, recognition, or rewards they actually get match the time, effort, and skill they put in, especially when they compare their outcome to what others get (Adams, 1965).

-Procedural equity: About how fair the procedures behind pay and promotion decisions feel—whether the criteria stay the same every time, whether they are open to scrutiny, and whether they respect employees (Colquitt, 2001).

-Interactional equity: Focuses on the actual human treatment employees get when decisions are put into action, looking at whether the communication and respect they receive feel just and considerate (Bies & Moag, 1986).

-Employee retention: Employee retention encompasses the deliberate strategies and practices organizations implement to motivate staff to stay for the long haul or at least until they finish a designated project (Das & Baruah, 2013).

1.10 Organization of the Study

This study consists five chapters:

Chapter one includes the background, research problem, research objectives, research questions, significance of the study, hypotheses, organization of the study, and concepts of the study.

Chapter two includes theoretical framework and literature review.

Chapter three displays methodology (research design, population and sample, data collection and data analysis)

Chapter four includes testing hypotheses, results and discussion.

Chapter five includes limitations, future studies, conclusion and recommendations.

Chapter Two: Literature Review

2.1 Introduction

This chapter provides a comprehensive review of literature on compensation, perceived equity, and employee retention, discussing how these variables interact to impact employee retention by shaping fairness perceptions. Each construct is defined, its dimensions discussed, its interrelationships supported by prior empirical studies. The chapter expands on previously developed motivational and behavioral theories such as Equity Theory, Social Exchange Theory, and the Job Demands–Resources (JD-R) Model in understanding how perceptions of fairness and the structure of compensation influence the attitudinal and behavioral outcomes of employees.

Moreover, this review integrates findings from previous research to show that although compensation stands as a basic motivator, its impact on employee retention is contingent upon the perceived fairness and equity within the organizational process. This chapter discusses some primary foundational conceptual gaps for the ongoing research by addressing the mediating effect of perceived equity on the relationship between compensation and retention. The insights made in this regard assist in the development of research hypotheses and propose a theoretical rationale for evaluating the impact of equitably compensation systems on retention within the banking sector.

2.2 Theoretical Review

2.2.1 Compensation

2.2.1.1 Concept of Compensation

Compensation has changed from simple wage-for-labor transactions to comprehensive total reward systems. Some of the earliest systems, like those in the Mesopotamia era, involved paying in goods or using simple currency. Under the Code of Hammurabi, payments became regulated through wages (Freire, 2020). The industrial period and the introduction of scientific management created structured incentives, like Frederick Taylor's differential piece-rate system, which stressed high wages at a low cost to labor (Hu, 2024). Internal labor markets of the mid-20th century focused primarily on internal equity, which leads to job evaluation and seniority-based progression alongside stable benefits (Zhang & Wang, 2024). Executive compensation remained modest up until the 1970s. After that, it greatly increased and was influenced by taxation and market changes on stock options and long-term incentives (Frydman & Saks, 2005). Competitive labor markets and globalization by the late 20th century enabled businesses to adopt the "total rewards" model which combines pay, incentives, benefits, and career advancement alongside employee engagement (Milkovich & Stevens, 1999).

Gerhart et al. (1995) argue compensation is fundamental to the employment relationship, particularly because employees “depend on wages, salaries, and benefits to provide a large share of their income and on benefits to provide income and health security” (p. 2). This definition highlights the importance socio-economic function of compensation with respect to the livelihood of employees, and the ability of the organization to attract and retain talent.

Tsz Ki Ng & El Kadi (2023) referenced an analogous definition and characterized compensation as a systematic way of offering monetary as well as non-monetary compensation to employees for their contributions, including an employee's wages and salaries, benefits such as insurances and stock options, as well as intrinsic rewards that motivate employees and lead to satisfaction on the job. In the human resources functions,

compensation affects the employee-work relationship and fairness, equity, balanced alignment with organizational goals, which influence recruitment, retention, and performance.

According to Akuffo-Aduamah (2025), compensation covers all forms of monetary payments received by an employee in the form of paychecks, tangible services, and benefits throughout the tenure of employment and conceptualizes it as a method of motivating an employee in return to achieve the organizational goals. This contemporary perspective of compensation includes intrinsic (psychological) and extrinsic (tangible) elements, where the former refers to an employee's mental satisfaction from his job achievement and the latter includes both monetary and non-monetary benefits.

From a more strategic perspective, Igbaji et al. (2024) conceptualized compensation as a basic pay structure associated with a given and predetermined level of performance, competencies and skills, with additional benefits and guided by general philosophies of rewards. This interpretation regards compensation not as an operational activity, but as a strategic tool for productivity enhancement and aligning employee efforts with organizational goals.

Sorn et al. (2023) highlighted the motivational functions as well as the retention dimensions of compensation while pointing out that with the lack of proper structure, rewards become ineffective in the attraction and retention of skilled employees. While other factors, such as work-life balance, are indeed relevant to retention, their findings indicate the degree to which compensation affects retention and the degree of engagement and commitment employees devote to their organization.

Offering a different theoretical foundation, Rabin (1994) suggests viewing compensation as a risk-return decision, drawing parallels to investment theory. From this viewpoint, compensation packages are not merely pay structures. Instead, they function as tools to achieve balance—allowing the organization to handle risk while meeting employees' satisfaction from financial and HRM perspectives.

Finally, Vakouftsis (2024) discusses the nuanced effects that compensation has on recruitment, motivation, and performance. Their work brings the argument of compensation being one of the core functions of HRM, highlighting its significance and lasting effects on employee's potential and organizational performance.

2.2.1.2 Sources of Compensation

External compensation decisions are influenced by legal frameworks such as the minimum wage, organizational environment, competitor compensation policies, and sector standards, which collectively determine the lower limits of what organizations may offer (Subiyantoro et al., 2024). Internally, an organization's strategy, culture, and management practices shape policies which influence the form, level, structure, and scope of compensation and benefits, ensuring alignment with strategic goals and available resources (Gerhart et al., 1995). With respect to multinational corporations, compensation systems assess cultural variances, different market conditions, and global strategies, and the necessity to balance and maintain internal equity and external competitiveness (Lakmal, 2025). In low-wage industries, compensation practices may be designed to control cost, leading to dissatisfaction and reduced workforce stability (Subiyantoro et al., 2024). From the perspective of HR systems, compensation is also embedded within the talent management framework, serving as a primary tool for attracting, retaining, and motivating employees and supporting overall organizational effectiveness (Fulmer et al., 2023).

Regarding those external and internal sources, compensation systems are safeguarded and demonstrated through various theoretical frameworks for broader organizational understanding. As suggested by Equity Theory (Adams, 1963), employees assess the value of particular compensations through a relative analysis, comparing their inputs-and-outcomes to those of their peers, and thus internal equity and value-transparent systems are crucial for motivation and retention efficiency. From a strategic perspective, the Resource-Based View (RBV) by (Barney, 1991; Carey, 2008; W. Liu & Liu, 2022) regard compensation as a tool to control and manage valuable human capital, and therefore, sustain competitive advantage.

Recent research demonstrates convergence and divergence within contexts. Firms in high-demand industries use differentiated pay and benefits to drive innovation and retention (Stephany et al., 2025). In contrast, low wage sectors tend to focus on cost-control strategies which leads to employee dissatisfaction and job instability (Fitri, 2024). In addition, AI-enabled compensation tools have sparked controversy. Some research shows that these tools could improve pay equity and responsiveness by using internal and market data (Bastida et al., 2025), while others warn that algorithmic systems, if left unchecked, will perpetuate bias (Bandara et al., 2025). These opposing views demonstrate that compensation systems are more complex than a simple exchange, which encompasses a range of systems. These systems include legal measures, market dynamics, organizational cultures, and new technologies. Future studies should focus on the enduring systems of compensation over time and across contexts, especially through longitudinal and comparative cross-culture research, to have deeper insights on how compensation serves as motivator as well a component of HRM.

2.2.1.3 Types and Components of Compensation

Compensation remains one of the most crucial tools in keeping staff motivated and retaining them to the company (Al-Qathmi & Zedan, 2021). A more recent study has segmented them into monetary and non-monetary forms (Nkomoki & Chomba, 2024).

Monetary compensation consists of rewards that have direct financial value. This concept is often categorized into direct and indirect forms (Fulmer et al., 2023). However, both forms have an impact on employees within satisfaction, motivation, and performance (Raman & Kumari, 2022). Salaries and hourly wages, and furthermore, bonuses, commissions, and performance-derived payments that are a result of one's performance are all a part of direct monetary compensation. All of these payments are strongly and closely linked to performance (Brasilio & Tridayanti, 2020).

Indirect monetary compensations on the other hand, involve non-cash incentives awarded in addition to wages. Scholars characterize it as organizational service and

compensation packages like allowances, insurance, retirement pensions, and vacation leave (ALBashayreh & Al Gharaibeh, 2021; Burhanudin & Tambun, 2021). It encompasses also social protection measures such as social security (Marasabessy & Lo, 2020; Zahroh et al., 2024). Recent studies expand the concept to include real support like food, transportation, and utilities (Camacho et al., 2024). Overall, these packages improve employee's wellbeing and greater their long-term financial stability.

The impact of contextual factors on monetary compensation is important. Specifically, in service recovery situations, the timing and structure of monetary compensation, whether ex post or instant, can affect the restoration of trust, emotional relief, and the customer's likelihood of return after a severe service failure (Azizi et al., 2022). In workplace and laboratory settings, studies on cognitive tasks show that although monetary rewards may enhance attendance and compliance, the impact on intrinsic motivation and transfer performance is multifaceted and is tied to the individual's characteristics and the reward structure. Pays and compensation have gained considerable attention, especially with increasing concerns around transparency and fairness, as well as the levels of compensation which can affect an employee's willingness to participate in work and their perceptions of fairness (Nguyen et al., 2020).

Overall, an effective compensation packages comprehensively consider direct and indirect components, including benefits and incentives that are integrated to provide value. Compensation packages also boost engagement, decrease turnover and enable high performance, particularly in those sectors where the competition for talent is particularly strong (Watkins & Fusch, 2022).

Non-monetary rewards extend beyond cash and cover aspects that fulfill intrinsic and social needs. These needs include recognition, meaningful work, professional value, opportunities to develop, flexible schedule, and access to the right information (Nkomoki & Chomba, 2024). Oigbochie et al. (2024) show that non-monetary recognition—such as promotions, sincere verbal praise, and an actively supportive office culture—significantly lifts productivity across Nigeria's Transmission Company. The study adds that nurturing an upbeat work environment not only raises employee morale but also curbs attrition,

confirming that steady commitment to the full employee experience generates durable advantages for the organization.

Raman & Kumari (2022) posit that non-monetary rewards influence attitudes and behaviors in ways that money cannot, fostering enduring commitment even when monetary reward is limited. Likewise, Salman et al. (2024) emphasizes the role of non-monetary rewards as powerful retention strategy since they lower turnover intentions, and strengthen identification with the organization.

Bhoir & Sinha (2024) mentioned the importance of other non-financial rewards such as career training and flexible working hours, which improve personal well-being and help in fortifying the employee-organization bond.

These studies underscore the value of including non-monetary rewards within a comprehensive reward system. By focusing on intrinsic motivators like acknowledgment, belonging, advancement, and integration with the mission of the organization, the emotional connection and commitment that these motivators are able to forge will sustain and reinforce the productivity generated within a role regardless of the position's scope and the organizational hierarchy.

2.2.1.4 Challenges of Compensation

One of the toughest challenges with compensation is achieving internal and external equity and at the same time sustaining the organization financially. Vishwakarma (2024) identifies the complexities of aligning compensation with cash flow, internal and external equity, as well as the problem of executive compensation. Salary history bans, which aim to fix pay inequity, lead to gender pay gap concerns, as men disproportionately disclose their salaries, hence policy failure (Cowgill et al., 2024). Similarly, Mask (2023) highlights the challenge of past recessions which leave behind wage scars that salary history bans are not able to erase. Pay transparency laws introduce other problems as well, such as backlash, internal tension, and the problem of differentiating pay based in performance (Baker et al.,

2023). Similarly, Jin et al. (2025) emphasize that individual performance-linked compensation systems face the challenge of imbalance with underpayment causes demotivation while overpayment fosters pressure and stress as well as perceived inequity, and the challenge of employee pay perception, as performance-based pay can be both empowering recognition or controlling pressure.

Another major issue of distribution of compensation relates to equity of pay across employees and its impact on both fairness and employee motivation. Henley et al. (2004) evaluates pay compression and demonstrates the ways it erodes the value of tenure and demotivates employees who are long servicing. Inadequate and inequitable compensation also is a main challenge, as low wage increases employee burnout, stress, and turnover. Employee perceived compensation inequities, lack of compensation transparency, and arbitrary compensation acceptance also contribute to diminished employee morale and strained workforce sustainability (Essien et al., 2025). In a collective effort, these research points show that inequities of any kind in distribution, even in the absence of substantial pay gaps, can severely diminish employee engagement, loyalty, and performance. This, in turn, points out a growing challenge in terms of compensation for any organization.

Besides the issues of wage disparity, compensation also faces challenges around equity and motivation. Deebom & Kakulu (2021) demonstrate the issues relating to the compensation of damaged farmland relating to the old legal system where outdated legislation rates and all the other missing data, corruption, and land disputes are bound to arise - which leads to dissatisfaction and unrest.

2.2.1.5 Compensation Dimensions

Compensation involves many elements apart from just a basic salary. It consists of various rewards, development opportunities, and the rest of the components that motivate and retain employees. It signifies more than just a financial transaction; it conveys recognition, equity, and an organization's commitment to its employees (Armstrong and Taylor, 2023). A well-designed compensation system includes monetary components such

as salaries and bonuses, but also includes non-monetary components such as training and career development opportunities, for enduring engagement and commitment.

The following subsections will cover critical dimensions of compensation relevant to this study—salary, bonus, and training—and describe how each of these dimensions motivates employees, ensures fairness in their perceptions, and retention within organizations.

2.2.1.5.1 Salary

Salary is a fixed payment in the form of money received by an employee from a company or organization (Hijuzaman et al., 2022). Nugraha et al. (2023) defined salary as the amount of money received, which is given at a particular and fixed time, for example, at the beginning of every month. A structured salary system provides a tangible reward for the work done, and, more importantly, communicates organizational recognition and signals respect for the employees' work (de la Torre-Ruiz et al., 2024).

Studies show that when salaries are competitive and align with market benchmarks, employees are more satisfied and motivated and are less likely to leave the organization (Jamadar & Choudhary, 2025). In addition, equitable salary distribution—perceived as fair in comparable with peers inside and outside the organization—enhances commitment and promotes positive work attitudes, consistent with equity theory principles (Adams, 1965). When rewards are perceived as fairly distributed, pay affects job satisfaction, fulfills employees' basic needs, and increases organizational commitment (Engdaw & Kebede, 2024).

In contrast, employees with perceptions of pay inequity result in lower motivation and engagement, which in turn cause disaffection, lower morale, and increased turnover. Employee disengagement and performance decreases, especially in highly competitive labor markets (Shah et al., 2024). Employees lose commitment to the organization when they perceive their pay as inequitable or does not match the demands of their role; in such cases,

employees may seek other job opportunities (Chen et al., 2022). This illustrates that salary beyond its financial value will always remain one of the most vital components of human resource management. Trust, loyalty, and lasting organizational stability are built by compensation systems that are congruent with market standards and maintain internal equity.

2.2.1.5.2 Bonus

Bonus constitutes a further payment made at the employer's discretion for meeting or exceeding specified performance criteria (Joseph & Kalwani, 1998). Bonuses are a type of contingent pay along with the base salary for an employee, and are earned only after a particular set of performance criteria or organization outcomes like targets on profitability are met (Armstrong & Taylor, 2023). Beyond their financial value, bonuses also carry an important symbolic recognition of exceptional contributions, employees feel valued, and a culture of appreciation within the organization is developed and maintained (Kuvaas et al., 2018).

A financial bonus is a kind of organizational reward that may increase staff members' innovation and originality inside the organization, improving the working environment and elevating employee performance (Mdhlalose, 2024). However, their effectiveness depends on design and implementation — poorly conceived bonus schemes risk promoting short-term focus, unhealthy competition, or inequities among employees (Brandhorst & Kluge, 2022). Bonus schemes may be less executive-serving when the targets and rewards are simple and therefore transparent. The obverse of this result is that multi-target bonus schemes are associated with higher pay-outs and are potentially manager-serving. Furthermore, target complexity is not associated with higher shareholder value (Bruce et al., 2007).

2.2.1.5.3 Training

Training improves organizational efficiency by equipping employees with relevant skills as well as demonstrating an organization's investment in workforce. Tibyana et al. (2025) emphasize that training improves performance and employee motivation which makes it essential to organizational growth. This is supported by Setiawan (2025) who shows that training programs motivate employees by increasing their job performance and enhancing their work engagement in the long run.

A consistent theme in the literature is the strong link between training and retention. Shiri et al. (2023) note that commitment, even in tough economic periods, is maintained by constant training. In the same manner, previous studies find that training offer alongside fair payment systems (as motivating and hygiene factors) increases loyalty and lowers turnover (Mampuru et al., 2024). Karim et al. (2019) supported the measurable gains to performance associated with organized training programs, demonstrating its value across multiple sectors.

Studies also demonstrate that training impacts organizational outcomes by shaping workplace dynamics. Alfiyah & Riyanto (2019) found that training, together with compensation and work environment, accounted for over 80% of the variance in employee performance within academic institutions.

As noted by Usman Ahmad et al. (2019), training initiatives, especially when encouraged by supervisors, strengthen organizational commitment. Additionally, training and motivation interactions, as described by Leonova et al. (2021), increase productivity and employee resilience.

Recent data offers stronger evidence of the correlation between training, flexibility and innovation. Awoitau et al. (2024) show that training programs centered on motivation and skills enhancement can yield positive performance results, while Pujianto (2024) illustrated that well-structured training ensures the shift of learning, stimulates creativity, and subsequently, organizational agility. More evidence with the same conclusions is drawn from Sony & Mekoth (2022) who proved that training customized to the development of technical and personal skills makes employees more adaptable, which is critical in today's fast-changing world.

Moreover, effectiveness of training has and will continue to be regarded as an investment to the organizational culture and the psychological belonging. Fang et al. (2020) explain how providing accessible, engaging, and equitable training promotes a sense of trust and acceptance which strengthens loyalty and decreases turnover.

According to Hosen et al. (2024), blending training with other HR functions such as career growth, performance review, and succession planning adds great value and increases job satisfaction as employees feel supportive and cared for by the organization. This alignment not only enhances motivation on a daily basis but also strengthens employees' sense of fairness and long-term potential, resulting in greater commitment not only to their tasks but to the organization as a whole (Hina et al., 2025; Keltu, 2024). Moreover, training that is effective enhances knowledge transfer, innovation, and retains productivity in any industry (Obeng-Tuaah, 2025).

These findings validate that training is not limited only to developmental interventions. This wide-ranging approach captures and sustains equity and inclusion, develops readiness to deal with the complexities of organizational life in the present environment, and most crucially, performance is maximized at every level.

2.2.1.6 Theories Related to Compensation

The theories described below will help explain how compensation affects the motivation and retention of employees. Each theory articulates how employees' attitude, organizational satisfaction, and retention decisions, hinges on the attributes of compensation, both monetary and non-monetary. While Expectancy Theory centers on motivation and compensation, Herzberg's Two-Factor Theory involves satisfaction and the satisfaction-hygiene paradigm. Moreover, the Job Demands-Resources (JD-R) model focuses on compensation as a crucial job resource that helps engage employees and mitigates employee turnover.

Expectancy Theory (Vroom, 1964)

According to Vroom's Expectancy Theory (1964), motivation results from an individual's belief that putting effort will lead to performance and performance will lead to outcomes or rewards. Vroom also explains that motivation consists of three different components: expectancy, instrumentality, and valence. Expectancy is the belief that one's effort will result in successful performance. Instrumentality is the belief that performance will lead to rewards or outcomes. Valence is the importance or attractiveness of the outcome or the reward. The consolidation of these components determines the strength of an individual motivation.

As the equity and visibility of a reward system improves, motivational and voluntary turnovers will decrease. This is how this theory views compensation and retention. When employees perceive that results from high performance are acknowledged, fairly compensated, and rewarded, retention and commitment significantly increase. Contemporary studies verify that commitment and turnover intention are influenced substantially through clear performance–reward systems (Jones et al., 2024). Also, recent research has combined Expectancy Theory with equity and found that inequity perceptions reduce expectancies and impact motivation and retention (Özkan, 2023). Consequently, for retention and motivation, organizations must adopt equitable and transparent reward systems.

Herzberg's Two-Factor Theory (1959)

In the late 1950s, Herzberg, Mausner, and Snyderman (Herzberg, F.; Mausner, B.; Snydermann, 1959) formulated the two-factor model of work motivation and developed the motivation-hygiene theory (Jones, 2021). Herzberg's Two-Factor Theory (1959) distinguished motivators and hygiene factors, which helped set the foundation for his theory. Herzberg also stated that motivators are factors that contribute to satisfaction and motivation including, achievement, recognition, and growth. In contrast, hygiene factors are those that eliminate dissatisfaction such as pay, policies, and the working environment. Herzberg argues that hygiene factors alone do not motivate an employee, while the absence of those

factors will certainly lead to an employee's dissatisfaction. True engagement, and therefore retention, will only be achieved when motivators are present along with fair and supportive conditions.

Retention and compensation are best explained by this theory, as it integrates both intrinsic and extrinsic components of motivation. Inadequate pay, inequitable treatment, and ineffective leadership may result in turnover, while employees showing sustained loyalty are those whose work is appreciated, recognized, and accompanied by opportunities for growth. Recent studies extending Herzberg's work have stated that employees seek purpose and opportunities for personal growth in addition to financial compensation for their retention (Zayed et al., 2022). Thus, Herzberg's theory remains relevant in contemporary organizations when assessing the equity of pay and the extent to which an employee is motivationally engaged in their work.

Job Demands–Resources (JD-R) Theory

JD-R theory, developed by Bakker & Demerouti (2007), examines how demands and resources that a job encompasses affects employees' motivation, engagement, and retention. Workload, and emotional stress fall under job demands while job resources include fair compensation, autonomy, control, and supportive leadership.

In relation to compensation and perceived equity, the JD-R model suggests that fair rewards and adequate resources buffer the strain caused by job demands, fostering motivation and commitment (Li et al., 2025). Conversely, when demand is high and the resources available to individuals are low, burnout occurs, leading to increased turnover. Within hybrid work settings, though, the presence of fair pay, flexibility, and support will guarantee the engagement and retention of employees (Bloom et al., 2024). Therefore, the JD-R framework captures the requirement to balance work pressure with equitable and satisfying motivational job resources to retain employees.

2.2.2 Perceived Equity

2.2.2.1 Concept of Perceived Equity

Perceived equity refers to the subjective evaluation of fairness employees make when evaluating their efforts against the rewards they receive. Based on Adams' Equity Theory, the concept emphasizes on the idea of the never-ending comparison an individual makes between the inputs like effort, skills, experience, and time against the outputs – revenue, benefits, praise, and opportunities (Adams, 1963). In more recent years, Mensah et al. (2020) define perceived equity as the fairness employees assess with regard to their contributions and the rewards received, underscoring its context-dependent and subjective nature.

Employees assess equity through referent comparisons as well. They may compare themselves with colleagues for the same position inside the company (others-inside), or with employees who work in the same field outside the company (others-outside) Eketu & Mtamn (2018). Past experiences also serve as benchmarks for fairness evaluations, which shape employees' motivation and sense of justice at work. Samani et al. (2022) defined perceived equity as someone's evaluation of fairness that comes from analyzing their own inputs and outcomes as compared to those of relevant others, and these judgments shape their sense of equity and affect workplace behavior.

Recent findings reiterate and expand upon this classical view while also emphasizing the psychological and contextual dimensions of perceived equity. Tuli et al. (2023) view perceived equity as the consideration a person makes regarding the equitable balance of the systems and outcomes, and this goes beyond simply payment systems to the intricate dealings of a work environment as well. De Clercq et al. (2020) underscored the significance of equity for employee well-being when they suggested that behavior is induced and stressed when an individual feel that they are receiving inequitable outcomes. Equally, Chen et al. (2023) elaborate on how perceived equity is an individual-level balance of input–outcome ratios of employees and groups of reference which affects motivation and satisfaction.

Perceived equity is also increasingly recognized as a multi-dimensional construct. Beyond distributive fairness related to outcomes, it encompasses procedural fairness or the fairness of the decision-making processes, and interactional fairness which pertains to the quality of interpersonal treatment and respect (Blodgett et al., 1997). All these dimensions shape how employees define justice in the workplace. As noted by Samani et al. (2022), perceived equity is evaluated through the balance of several inputs and outcomes — tangible (monetary compensation, promotions) and intangible (recognition, prestige, job satisfaction) — and the way individuals weigh these factors relative to others.

In institutional settings like the banking sector where compensation serves as the primary extrinsic motivation for employees, perceived equity among employees becomes very important (Nkoana & Matjie, 2024). Zayed et al. (2022) observe that employees who think that the compensation system is equitable tend to be more engaged and satisfied with their work. Similarly, Yue (2019) noted that equity perceptions serve as a psychological mechanism linking compensation systems to employee retention, especially in-service sectors.

Equity theory explains that inequitable relationships create distress—employees experience anger when they feel under-rewarded and when over rewarded, they experience guilt. which in turn motivates individuals to restore balance through reducing effort, demanding higher rewards or psychological reframing (Walster et al., 1973). Consequently, organizational frameworks which guarantee equity in reward allocation are essential not only for job satisfaction and retention but also for protection and promotion of employee well-being and prevention of counterproductive behaviors.

2.2.2.2 Determinants of Perceived Equity

Equity is often defined as the balance between the inputs and outputs of an employee. However, this interpretation oversimplifies a complex, and indeed sometimes confusing concept. Perceptions of equity stem from a complex combination of individual comparisons, situational context, and organizational context. Equity perceptions made by employees

involve self and others' input and reward evaluations, social norms and standards, as well as equity and reward distribution strategies, including managerial style and the degree of openness of organizational policies and practices.

One of the most important reasons of why equity is perceived differently among people is social comparison. Based on the work of Adams (1963), employees assess their input–outcome ratios against those of peers in the same organization (others-inside), employees of rival firms (others-outside), and even their own past experience (self-inside and self-outside) (Tavoletti et al., 2023). When these comparisons imply balance, equity is perceived; when they do not, employees experience inequity, which leads to dissatisfaction and possible withdrawal behaviors. (D. Jiang et al., 2024). Such comparisons are particularly pertinent to competitive sectors such as banking, where staff are acutely conscious of compensation systems of organizations, and routinely assess themselves in relation to external peers (Maciejovsky et al., 2025).

The perception of fairness also arises from cultural and contextual influences. According to Hofstede's (2001) cultural dimensions theory, relational fairness and equality of outcome are more important in collectivist societies. Individualistic societies focus more on distributional fairness in outcomes such as pay and promotion. More recent research has shown that national culture and economic stability and the organizational climate interact to form perceptions of fairness. Cultural expectations connected with respect, hierarchy and social responsibility greatly influence the way banking employees perceive equity, particularly in compensation and career development processes (S. Ali et al., 2024). Elshaer et al. (2022) argue that while economic and institutional instability increases fairness sensitivity among employees; job instability inclined to increase strain and reduces perceptions of justice.

Practices of organizations, such as transparent pay systems and equitable HR policies, reinforce perceptions of distributive and procedural equity (V. Y. Haines et al., 2024). Also, leadership behaviors consistently open communication strengthens those fairness perceptions (Raineri, 2023). As noted by Alterman et al. (2021), lack of pay transparency and secrecy policies undermine trust and create a sentiment of unfairness. leaders control

interactional equity by ensuring that rules are respected and uniformly applied within the organization and that all members are treated with respect (Saleem et al., 2024).

Moreover, recent studies on Artificial Intelligence in Human Resources Management show that factors such as technology trust (e.g., focus on reliability, familiarity and developers) and decision processes (e.g., transparency, accountability, responsibility assignment, and bias) play a vital role in influencing employees' perception of fairness, which in turn mediate the acceptance and perceived usefulness of these technologies (Klöpper & Messer, 2024; Revillod, 2025). As organizations increasingly adopt artificial intelligence in recruitment, performance evaluation, and compensation, employees' perceptions of fairness feel highly contingent on the degree of transparency and accountability of these systems (Köchling & Wehner, 2020). research demonstrates that bias in algorithmic systems, as well as lack of clarity in AI-based HR processes, can diminish trust, but lack of discretion in how processes are carried out amplifies perceptions of fairness in the procedure (Langer et al., 2023). These technological factors demonstrate the changing complexion of workplace equity by further complicating the employee–employer relationship.

2.2.2.3 Importance of Perceived Equity

Perceived equity is a defining facet in the employee-organization relationship, as it concerns the workers' assessments of equity regarding the rewards for their inputs (Jo & Shin, 2025). Employees who feel equitably treated in compensation, recognition, and opportunities tend to be more satisfied and more committed, whereas inequity perceptions are more likely to result in disengagement, dissatisfaction, and turnover intention (Alfano, 2024). This highlights the importance of fairness as a motivational factor and as a determinant of the organization's effectiveness.

The influence of an individual's view of equity relates to more than just compensation; it affects motivational level, level of well-being, and amount of discretionary. Positive

perceptions of fairness will lead to greater organizational citizenship behaviors such as cooperation and knowledge sharing that enhance competitiveness of the organization (Awwad, 2025; Tang, 2025). When inequity occurs, psychological stress increases, trust in the management decreases, and employees tend to put in less effort or look for alternative job's opportunities (Elshaer et al., 2022).

Equity underlines how compensation systems impact retention outcomes (Shinde, 2025). Although competitive compensation packages may attract talent, retention is contingent upon perceived equity in reward distribution (Xu et al., 2024). Recent studies reveal that employee perceptions of distributive justice significantly contribute to enhancing organizational commitment within the banking sector where employee retention is vital (Lahlou-Kassi & Eddakir, 2025). This indicates how perceived equity enhances the efficiency of HR policies, transforming monetary rewards to long-term engagement and organizational stability.

Beyond the paycheck, perceptions of fairness are strengthened by open communication and participatory processes (Raineri, 2023). Employees who believe that organizational processes are fair and that they treated equably are more likely to have positive attitudes towards management and stay committed (S. Hu et al., 2024). This shows that equity consists of multiple dimensions as it concerns the integration of distributional, procedural and interactional components, which together influence an employee's attitudes and behaviors.

Finally, the increasing incorporation of artificial intelligence in HR decisions increases the need for equity. The way employees perceive the fairness of algorithms, bias, and transparency, influences their perceptions of trust and acceptance of AI decisions (Mujtaba & Mahapatra, 2025). Addressing fairness issues positively improves retention and engagement while avoiding them erodes trust in the management system.

2.2.2.4 Dimensions of Perceived Equity

2.2.2.4.1 Distributive Equity

The distributive equity is defined as the fairness of outcomes including benefits, pay, and promotions. It derives from social exchange theory and posits that employees evaluate the correspondence of the results to their inputs (Deutsch, 1975). Employees are able to experience greater job satisfaction and motivation when they feel that the distribution of rewards is equitable (Fitriani et al., 2025). In contemporary contexts, distributive equity goes beyond compensation to include acknowledgement, flexible working arrangements, and the opportunity for professional advancement (Petitta & Ghezzi, 2025).

Studies have noted that distributive fairness impacts workforce morale strongly. In organizations where resources are distributed consistently, employees tend to have greater levels of trust, commitment, and disengagement in their work (Jo & Shin, 2025). In contrast to this, when employees notice a discrepancy in the distribution of salary or advancement opportunities, it is quite likely that dissatisfaction and mistrust would arise (Stofberg, Mabaso, et al., 2022). This also highlights the importance of equity distributions as a form of organizational support.

An equally important aspect of distributive justice concerns its impact on teamwork and collaboration. Employees are tend to cooperate more and demonstrate support to one another when the workload, accountability, and reward are shared equally, which improves their team's cohesion effectiveness (Haines et al., 2025). On the other hand, inequities in the work distribution can breed resentment, diminish trust, and may lead to conflict between employees (Khaiat et al., 2024). Thus, the concepts of distributive justice extend to the social structure of the organization, and not only to the individual outcomes.

Distributive equity also includes non-money rewards. In the banking sector, employees identify recognition, career advancement, and autonomy in goal setting as prominent factors influencing satisfaction at work. The motivation and loyalty of employees and their long-term commitment to the organization are, to some extent, enhanced more by these non-

monetary factors than by compensation (Shah et al., 2025). The inequitable distribution of opportunities can tarnish equity perceptions even in the most competitive paying organizations (Ammari & Howe-Walsh, 2025). In banks, where career advancement and recognition is easily accessible and compared against peers, distributive fairness in both monetary and non-monetary aspects is crucial (Lahlou-Kassi & Eddakir, 2025).

Finally, the reduction of turnover and improvement of organizational stability is greatly impacted by how distributive equity is applied. Studies demonstrate that equitable reward systems strengthen employees' beliefs that their efforts are acknowledged, thereby decreasing intent to quit and improving retention. (Bartaula, 2023). Scholarly work maintains that for service quality and institutional trust to be upheld in the banking sector, the retention of employees is necessary (Al Kurdi et al., 2020), while distributive fairness in compensation and rewards plays a central role in ensuring employee satisfaction and organizational effectiveness (Rahman, 2024).

2.2.2.4.2 Procedural Equity

Procedural equity pertains to the fairness of allocating outcomes on the basis of the decision-making processes. It lies on the assumption that employees value consistency, transparency, and fairness in organizational procedures (Thibaut & Walker, 1975). Importantly, employees are more likely to accept even unfavorable outcomes if they believe the processes are fair (Gong et al., 2025).

Recent research confirms that procedural equity strengthens employee trust in institutions (Pathardikar et al., 2022). Promotion systems which are transparent, recruitment which is unbiased, and grievance handling which is effective enhances employees' feeling of belonging and loyalty (Pandey & Ganatra, 2024). Conversely, research indicates that decision-making processes that display biases and inconsistencies can erode perceptions of fairness and deepen inequities, irrespective of the decision maker's intentions (Storm et al., 2023).

Employee participation improves further procedural fairness. Employees' systems to express grievances, provide feedback, or engage in decision-making processes enhance the feeling of participation, and further enhance the organizational legitimation of processes (Qi et al., 2023). On the contrary, exclusion from discussions, or engaging in opaque decision which are made in the absence of the necessary decision makers can cause alienation and reduce the level of engagement (Adamovic, 2023).

Decker et al. (2025) affirm that accountability structures shapes how people understand procedural fairness in algorithmic decision-making. Organizational consistency and responsibility are shown by well-structured explanations for decisions, defined performance indicators, and open avenues for appeal (Colquitt, 2001). Without these systems, employees feel a sense of unfair which leads to a decline in both trust and commitment.

The maintenance of long-term organizational culture relies heavily on procedural justice. Sustaining trust even during challenging economic or organizational shifts is possible for institutions that implement transparent and inclusive processes (Olvera et al., 2025). In a banking sector , where promotions and compensation determine the distribution of workload, motivation of the employees, and the quality of customer service, procedural fairness is both an ethical requirement and a strategy for stability and retention (Aliane et al., 2024).

2.2.2.4.3 Interactional Equity

Interactional equity addresses the fairness of interpersonal treatment employees are given in organizational settings (Habore & Derashri, 2024). This rests with the belief that communication that is respectful and dignified may improve perceptions of fairness and justice regardless of the outcomes (Bies & Moag, 1986; Unterhitzenberger & Lawrence, 2025). Prior research demonstrates that employees give more value to the clarity, tone, and empathy with which an interaction or decision is articulated and executed in the workplace (Peng, 2023).

One facet of interactional fairness is informational justice which pertains to the extent of the managers' explain their decisions (Khurshid et al., 2023). Transparent and honest communication cultivate trust and perceptions of fairness. In contrast, lack of clarity or omission of information diminishes trust (Men et al., 2022). People are more likely to accept negative outcomes if transparent rationale and reasoning are provided (Schoeffer et al., 2022).

Another aspect is interpersonal respect. Employees who perceive that their leaders show respect, empathy, and equity are more likely to perceive their work environment more positively and equitably (Raineri, 2023). Conversely, disrespect and rudeness diminish perceptions of fairness, even when the results are favorable. Thus, respectful interaction seems to help prevent dissatisfaction (Lane & Aplin-Houtz, 2023).

Cultural norms also shape interactional equity. In contexts such as the Middle East, where both respect and hierarchy are paramount, employees deliberated on the nuances of relational and respectful communication (Fadul, 2021; Suliman & Kathairi, 2012). In these particular frameworks, interactional fairness stands alongside distributive and procedural justice regarding equity perceptions (Ghasi et al., 2020).

Finally, it can be asserted that cooperation and retention are significantly influenced by interactional equity within an organization. Managers who communicate openly and treat employees with respect foster loyalty and collaboration within teams (Bano et al., 2023). By contrast, employees who experience chronic disrespect or exclusion within workflows are more likely to develop intentions to leave the organization, highlighting the critical role of respect and fairness to the overall success of the organization (Özkan, 2023).

2.2.2.5 Theories Related to Perceived Equity

Numerous theories have been conceptualized describing how fairness is perceived, how those perceptions affect behavior in a workplace, and how it influences organizational outcomes. For the current study, organizational fairness is conceptualized through a

combination of equity theory, the theory of organizational justice, and social exchange theory. Collectively, these approaches present a holistic and multidimensional view of fairness across the outcomes, the processes, and the relational treatment, as well as how perceptions of equity engender the organizational commitment, trust, and retention.

Equity Theory (Adams, 1963)

Equity Theory constitutes a conceptual basis for understanding the perception of fairness in workplace environments. According to Adams (1963), the theory posits that employees evaluate fairness through comparisons the ratio of the inputs they provide relative to the outputs they receive. Inputs may consist of effort, skills, experience, and loyalty, while outputs may consist of compensation, benefits, acknowledgment, and promotions. Employees feel equity when their input–outcome ratio is equal to that of their colleagues. However, inequity creates dissatisfaction, stress, and withdrawal behaviors.

When assessing compensation, Equity Theory indicates that equitable pay systems are necessary for employee motivation and retention. Employees who perceive equity under-reward inequity are more likely to experience lower job satisfaction and performance, and high turnover intentions (Chen et al., 2023). Conversely, over-reward inequity produces feelings of guilt, and induces counterproductive work behaviors. In contemporary organizations, perceptions of procedural and interactional fairness, as well as distributive fairness, significantly impact attitudes and behavior (Fadul, 2021). Accordingly, organizations that foster commitment and retention are those that engage in consistent and transparent communication regarding compensation, equitable recognition systems.

Social Exchange Theory (Blau, 1964)

Social Exchange Theory (SET), articulated by Blau (1964), looks at relationships in the context of behavior at work. SET focuses on reciprocity between the organization and the employees. When an organization offers fair pay, respect, and opportunities for advancement, the organization can expect loyalty, effort, and retention from employees. Conversely, employees will disengage and potentially exit the organization when they perceive unfair treatment, or when their contributions are appreciated insufficiently.

SET illustrates the relationship between perceived equity and retention by expanding on the psychological exchange that occurs beyond formal contracts. Recent studies reiterate that positive perceived organizational support, transparent HR practices, and equitable reward systems promote satisfaction and diminish the intention of turnover through the mechanism of positive reciprocity (Al-Taie & Khattak, 2024). Therefore, from the perspective of SET, fairness of compensation along with mutual trust explains unequivocally the maintenance of employee commitment in the long run.

Organizational Justice Theory (Colquitt et al., 2001)

Building on the initial ideas of the fairness dimensions, the Organizational Justice Theory (2001) introduced the three types of justice: distributive, procedural, and interactional. Distributive justice concerns fairness regarding the outcomes, like the allocation of salaries and bonuses; procedural justice focuses on fairness considering the processes by which the decisions are made, and interactional justice pertains to the fairness of interpersonal treatment. Colquitt (2001) the perception of fairness across all three dimensions predict the employee satisfaction, trust, and commitment.

In order to address feelings of inequity, compensation management literature highlights the role of organizational justice. Fairness perceptions strengthen psychological contracts and retention, through transparent reward systems and open channels of communication (Jo & Shin, 2025). Recent perspectives incorporate informational justice, which focuses on open communication and accountability concerning AI-driven HR processes (Bastida et al., 2025). Hence, this theory offers a comprehensive view on how perceptions of fairness impact both satisfaction with compensation and the retention of employees.

2.2.3 Employee's Retention

2.2.3.1 Concept of Employee Retention

Retention of employees pertains to the ability of an organization to provide an environment that encourages employees to stay with the organization for long periods, which

in turn minimizes voluntary turnover (Gelencsér et al., 2023). Employee retention is not a case of mere absence of resignations; it is a meticulously crafted plan that includes satisfaction, motivation, and career advancement to ensure that there is no disengaged workforce (Setyagraha et al., 2025). Retention is almost always discussed alongside turnover, where voluntary turnover is regarded as the employee's decision to exit the organization, and involuntary turnover is terminated by the company (Trisna Wijayanthi et al., 2024).

Previously, retention of employees was seen primarily in monetary terms, in which turnover was covered in the context of expenses incurred from recruitment, onboarding, and training processes (Bolt et al., 2022). Nevertheless, retention has become an essential strategic focus for HRM to preserve competitiveness, maintain knowledge, and build organizational resilience (Jebbouri, 2025). Ekhsan et al. (2022) broadened the notion of retention and described it as a deliberate and intentional organizational strategy focused at maintaining the residence of employees during turbulent times. Their research highlights the trust, participation, and reputation as crucial elements within the domain of organizational loyalty and minimization of employee turnover.

Retention of employees, therefore, goes beyond simply keeping staff on the payroll; it involves building loyalty, raising engagement, and fulfilling the employees' expectations of career advancement opportunities within the firm. It is observed by Menezes et al. (2025) that retention is the extent to which the desire of employees to stay is reinforced by both talent management practices and psychological empowerment which makes it an HR function as well as an organizational support psychological process.

The most recent literature suggests that retention is affected by many aspects like compensation, the effectiveness of the leadership, work-life balance, and fairness within the organization. Aljumah (2023) contends that both extrinsic motivators such as pay and benefits and intrinsic motivators such as recognition and meaningful work must be addressed by the strategies. Similarly, Kang et al. (2023) emphasize that retention is a holistic function of organizational culture and HR practices. Employees tend to remain with the organization when their values and goals are congruent with the practices of the organization.

Retention from a strategic perspective is critical as it maintains organizational memory, maintains a cohesive and adaptable workforce, and promotes organizational stability (Hussain & Chauhan, 2024). Retention becomes increasingly important in sectors like banking where specialized skill sets and trust-based dealings are important (Alzghoul & Khaddam, 2024). Retention should be regarded as long-term investments in human capital due to its relevance to organizational effectiveness and advancement.

Recent studies highlight the importance of perceived organizational support and fairness in influencing retention outcomes. According to Zhao et al. (2024), perceived organizational justice strengthened employees' psychological contract with the organization, fostered fairness-based trust, and enhanced work motivation, leading to a reduction in turnover intentions. Stofberg, Bussin, et al. (2022) along the same lines noted that retention is improved through equitable compensation systems and transparent HR practices as employees perceive themselves to be valued and respected. Furthermore, Liu et al. (2025) contend that retention is fostered in environments where employees characterize by psychological safety and trust in leadership, thus making supportive contexts major determinants of long-term commitment.

Another recently added point of view is the increased focus of retention strategies on the importance of flexibility and work-life integration. With the growth of hybrid and remote work models, employees value companies which offer more flexible hours and autonomy (Barrero et al., 2021). Harrop et al. (2025) demonstrate that flexible working conditions improve work-life balance and strengthen employee attachment to organizations. Similarly, Trinkenreich et al. (2023) report that employees who are offered career development opportunities along with well-being programs feel more included in the workplace, which reduces the rate of voluntary turnover.

2.2.3.2 Importance of Employee Retention

For an organization to keep its stability, performance level, and competitive edge, employee retention is crucial. High turnover leads to misuse of resource, lowered morale,

and interruptions in business, while retention strategies improve the continuity and consistency of an organization (Pascoe et al., 2021).

For industries such as banking and healthcare, the retention of specialized staff remains crucial for preserving institutional knowledge, customer trust, and minimizing the risks associated with employee turnover (Hwei & Anuar, 2024; Wynendaele et al., 2025). Hence, retention must not be viewed merely as a cost-saving measure; it is about safeguarding the organizational capacity and reputation.

Retention further strengthens employee engagement and productivity. Research demonstrates a positive correlation between internal employee motivation and the perceived opportunity for long-term career advancement in the company, which in turn leads to stronger commitment to the organization and decreased absenteeism (Hosen et al., 2024; S. Khan et al., 2025). Retained employees develop stronger knowledge of the organization, encourage innovation, and engage more actively on long-term projects, helping organizations stay competitive in shifting marketplace (Fadaie et al., 2023).

Retention's financial implications also showcase its significance. New hires come with recruitment, onboarding, and training costs, often exceeding company budgets and time. Losing talent comes with its costs, as it often takes months to fill in the skill gaps left behind and onboard new staff (Shanafelt et al., 2023). Organizations can lower their costs related to recruitment and training by enhancing the job quality which reduces employee's turnover. Employers who offer equitable compensation, give employees a voice in company affairs and treat them fairly experience longer employee tenure, which in turn fosters the accumulation of firm-specific human capital and increases productivity, thereby creating a virtuous cycle that benefits both the employees and the organization (Bahn & Cumming, 2020).

Retention is directly tied to customer satisfaction and service quality. In the banking sector, emotional attachment to the brand is reinforced through central elements such as trust, commitment, communication, and constructive conflict resolution. Customers appreciate the continuity of the relationship with their service providers (Panduro-Ramirez et al., 2024). An

organization that experiences frequent turnover is likely to experience disruption in customer relations which may negatively impact customer loyalty. Research shows that organizations with higher retention levels exhibit greater service quality, customer satisfaction, profitability, and market position dominance (Igbinoba et al., 2022).

Finally, Retention improves company culture and strengthens its overall resilience. Effective onboarding reduces turnover intention by strengthening employees' well-being and their identification with the organization (Mosquera & Soares, 2025). As employees remain with the organization longer, they are able to foster cohesive workplace cultures, strengthen the shared values, and transmitting organizational knowledge to new employees. In the time of a crisis or a transformation, for instance, during economic disruptions or digitalization, a stable workforce is critical for bringing in organizational memories and adaptability required for negative changes.

Research shows that organizational learning alongside digital transformation increases the organizational memory, which in turn increases adaptability and resilience (Awad & Martín-Rojas, 2024). Therefore, employee retention, in this sense, becomes more than just a human resource issue; it becomes a matter of organizational strategy and long-term stability.

2.2.3.3 Challenges in Employee Retention

Although retention is critical to an organization's success, many organizations still challenges in retaining employees. The most urgent of these challenges is competition for skilled employees in global labor market. Due to the rise of knowledge-based economies, there is a great demand for skilled employees, and organizations try to provide compensation packages that have equitable pay structures internally and that are competitive to what other employers pay (Bone et al., 2025). This issue is most pronounced within the banking sector,

in which competitors can readily entice workers with more attractive salaries and greater opportunities for advancement (Almaamari, 2023).

Another challenge comes from evolving employee expectations. Employees these days focus on attaining a work-life balance, having flexible hours, and career growth opportunities, unlike before when long-term job security was the norm (Van Landeghem et al., 2024). Organizations that cannot adapt with these changes have higher turnover rates, as employees leave for companies with hybrid arrangements, growth opportunities, and a more positive workplace environment (Afif Nur Hakim et al., 2025; Bloom et al., 2024).

Aspects of culture and organizational climate have retention barriers as well. Unsupportive workplace culture, absent of recognition, and a lack of psychological safety erodes trust and employee engagement, pushing people toward voluntary turnover (Etti et al., 2025). Studies show that when employees feel they are treated unfairly or when there is a lack of adequate leadership practices, they are likely to disengage and seek other opportunities (Lopes et al., 2025). This underscores the challenge of not only crafting attractive employee's compensation structures but also maintaining fairness supportive organizational policies and practices.

Retention has become even more complicated due to technology disruption. While digitalization and AI-driven HR systems are known to boost productivity, they foster considerable anxieties regarding job security and skill redundancy (B. J. Kim & Kim, 2024). Reskilling opportunities and fear of displacement due to automation can lead an employee to disengage with an organization and eventually leave. Thus, the challenge is to perform the technological integration while maintaining trust and offering lifelong learning to sustain loyalty (Qiao et al., 2024).

Finally, retention challenges are compounded by the external political conflict, economic instability, and demographic environment. In such situations, employees may decide to leave the organization not only due to dissatisfaction, but due to apprehension about the organization's future (Öztuna & Bayraktar, 2024). In today's workplaces, for instance, young employees currently are more willing to try out different roles rather than stay with

one organization for a long time, which in turn increases the challenge of retention. (Manohar, 2025). These external challenges emphasize the importance of creating flexible and relevant strategies for retaining talent.

2.2.3.4 Strategies for Employee Retention

Equitable and market-competitive compensation systems remain one of the most effective strategies for employee retention. Studies confirm that workers tend to stay longer at an organization when the remuneration, bonuses, as well as benefits afforded to them are comparable to the market or deemed fair (Jolly et al., 2021; Stofberg, 2020; Zhao et al., 2024). Nonetheless, without perceptions of fairness, monetary rewards on their own are inadequate. providing Transparency in pay and rewarding employees equitably increase their level of trust and satisfaction, while reducing voluntary turnover (Stofberg et al., 2022).

The second important strategy involves offering opportunities for career development and training. Employees stay longer in organizations that invest in their professional development through advanced opportunities, training programs, and clear career pathways (Shiri et al., 2023). Training not only serves to boost productivity, but also demonstrates the organization's commitment to employees' long-term futures (Wu et al., 2025). In banking and comparable high-skill industries, career advancement opportunities are critical for fostering loyalty, which makes the availability of career development pathways particularly valuable.

Having flexible work arrangements and work-life has become essential strategies for retention in the post-pandemic workplace (Bloom et al., 2024). Reducing work-life conflict through hybrid work models, flexible schedules, and family-responsive policies lowers stress and promotes well-being, which in turn, reduces intentions to leave the organization (Blom et al., 2025). Research shows employees are more focused on how well an organization caters to their individual needs. In this aspect, flexibility becomes crucial to retaining employees (Setiawan et al., 2025).

The style of leadership and the organization's culture both are equally important in formulating strategies for retention. Psychological safety and commitment are fostered by transparent, inclusive and supportive leadership (El-Ashry et al., 2025). Likewise, when cultures promotes fairness, respect and recognition toward employee contributions enhances loyalty and raises the level at which employees relate to their organization (Jo & Shin, 2025). Leaders who practice equity in their decisions increase trust and perceptions of justice, which contributes to retention.

Finally, successful retention strategies must be a combination of intrinsic and extrinsic motivators (Ogundare, 2022). Although financial rewards normally accompanied with competitive compensation, intrinsic motivators like recognition, sense of meaningful job and independency, are equally important for retention and employee satisfaction (Jevtić & Gašić, 2025; Ndiango et al., 2024). Organizations that link fair compensation with career growth opportunities, tangible non-financial rewards and equitable HR practices are more likely to meet their retention goals, and develop stability in the organization along with loyalty and long-term success (Shinde, 2025).

2.2.3.5 Dimensions of employee retention

The phenomenon of employee retention has long been contested by scholars, who argue that there is no single reason that employees choose to stay with or leave an organization. In earlier studies, retention was equated with tenure or turnover rates. More recent studies, however, have expanded retention to include more psychological and attitudinal perspectives like satisfaction, commitment and intention to quit (Meyer et al., 2002; Mobley, 1977). Recent studies propose that a deep understanding of retention phenomenon requires analyzing both the positive attitudes that anchor an employee to their work and the negative tendencies that facilitate their exit from the organization (Balthrop & Jung, 2025; Sinisterra et al., 2024). This research adopts three core retention dimensions—job satisfaction, organizational commitment, and turnover intentions—considering past research and its relevance to the banking industry. These dimensions have been proven in the

literature of human resource management (Griffeth et al., 2000; Judge et al., 2001), collectively, they provide a comprehensive viewpoint of how employees assess their relationships with an organization and make decisions to either leave or stay.

2.2.3.5.1 Job Satisfaction

Job satisfaction has proven to be one of the most reliable predictors of employee retention and turnover. It can be defined as the evaluative judgment employees formulate about their experiences on the job, and hence, how the job fulfills the employee's needs, values, and expectations. Locke (1969) defined job satisfaction as "the pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating the achievement of one's job values" (p. 316).

Many studies illustrate that an employee's level of satisfaction predicts the possibility of retention. For example, Devyanti & Satrya (2020) discovered in their study of Indonesian employees that job satisfaction levels lowered turnover intention. Jogi et al. (2025) also confirmed the negative correlation between job satisfaction and turnover intention across a number of different sectors. Furthermore, Chang et al. (2023) show that work-life balance, compensation, and the level of support from supervisors are important mediators of the retention-satisfaction relationship.

One of the mechanisms through which satisfaction works is fostering affective attachment to the job and to the organization itself which encourages employees to remain even when other opportunities are available (Meyer & Allen, 1991). Second, it also changes the way people assess external job offers. Satisfied employees perceive fewer attractive alternatives (Mobley, 1977). Finally, Lee et al. (1999) argue that positive embeddedness, which includes satisfaction with fit, along with links, and sacrifices, can minimize certain shocks that would have otherwise triggered resignations. by bolstering commitment and increasing the cost of leaving.

The aspects of job satisfaction do matter. Studies indicate that satisfaction with supervision as well as the actual work is among the strongest predictors of retention and are often more powerful than pay (Kim & Kim, 2021). In competitive sectors such as banking where workloads are high and the demands of clients are increasing, the level of satisfaction an employee derives from work can be impacted by the provision and quality of supervision, the level of autonomy, and the design of the tasks (Monica et al., 2024). Employees will most likely to stay with an organization if they are treated with respect.

In sum, job satisfaction functions as a Proximal attitudinal pathway through which compensation, fairness, leadership, and work design influence employees' decision to stay. Such organizations which focus on building satisfying work environments which include supportive leadership, recognition and meaningful work to sustain long term engagement and reduce turnover.

2.2.3.5.2 Organizational Commitment

The psychological connection that employees have with their organization is encapsulated in the term organizational commitment which demonstrates the level of loyalty, identification, and attachment an individual has towards their organization. Meyer & Allen (1991) proposed a model comprised of three components: affective commitment (emotional attachment and identification), continuance commitment (cost of leaving), and normative commitment (perceived obligation to remain). Of all these, affective commitment is considered to be the most dominant in predicting retention outcomes.

Research continues to show that commitment is associated with lower turnover. For instance, Moreira et al. (2024) identified affective commitment as a major factor that decreases turnover intentions and actual quitting. Similarly, Stark et al. (2025) noted that although continuance commitment may retain employees for cost-related reasons, it tends to associate with lower levels of engagement and diminished discretionary effort. Conversely, normative commitment predicts staying, but since it is grounded in obligation and not enthusiasm, making it a weaker predictor of positive organizational outcomes.

Organizational practices and relationships further facilitate the development of commitment. Perceived organizational support, along with transparent HR policies, is critical for the development of affective bonds between employees and their organization (Aldabbas et al., 2025; Colquitt, 2001).

In the same vein, . Khan et al. (2020) emphasized that commitment toward the organization is highly bolstered through equitable decision-making and leader-member exchange relations, particularly when employees perceive consistency with respect regarding promotions, training, and rewards. This is crucial in the banking industry, as the retention of highly specialized employees is contingent on trust toward the leadership and the availability of clearly articulated career advancement prospects.

Commitment is influenced by external variables while also impacting retention rates. Research indicates that affective commitment exhibits protective qualities against turnover risks associated with high employability. This gives employees a disincentive to respond to external job market offers (Çavuş et al., 2025). Likewise, during periods of political and economic volatility, particularly within Palestine's banking sector, uncertainty becomes a defining feature of organizational life. Under such conditions, employees' commitment tends to act as a stabilizing reference point providing a sense of purpose and continuity for the organization (Zhao et al., 2024).

Therefore, commitment is more than retention, as it showcases the emotional attachment of the employee to the organization's mission. Organizations can build commitment as a strategic tool for retention and organizational resilience when leaders adopt a supportive stance, HR systems are perceived as fair, and the employee's career growth prospects are within reach.

2.2.3.5.3 Turnover Intentions

Employees' turnover intentions refer to the thoughts or plans an employee has regarding leaving their job, this makes turnover one of the most proximal predictors of actual turnover. Intention is an intermediate step that lies between job dissatisfaction and the act of quitting (Kellerer & Süß, 2025; Mobley, 1977). Consequently, turnover intentions have

increasingly been researched and documented as an outcome of job satisfaction, commitment to the organization, and various fairness perceptions.

Studies confirm that turnover intentions are key predictor of an employee's intention of leaving an organization. Sun et al. (2025) discussed how intentions strongly correlate with actual turnover, providing practical utility for researchers and managers. Kellerer & Süß (2025) developed this work further by demonstrating how intentions mediate the effects of job satisfaction, role stressors, and justice perceptions on quitting behavior. This suggests that organizational factors may influence turnover indirectly by first shaping employee intent.

HR practices directly impact turnover intentions. Unfair compensation, absence of recognition, lack of decision-making transparency, and poor supervisor relationships increase intentions to quit (Kiani et al., 2020). On the other hand, intentions to leave are decreased by transparent pay structures, supportive leadership, and career growth opportunities. Even satisfied employees can develop intentions to leave due to various shocks such as conflicts, unmet promises, or competing external offers (Yang et al., 2024).

Turnover intentions, particularly for highly competitive sectors such as banking, tend to be more pronounced. Grounded in Adams' (1963) Equity Theory, employees compare their pay and career paths with those of their peers in competing organizations, and even minor perceived inequities tend to heighten turnover intentions (Xu et al., 2024). Živković et al. (2023) assert that in competitive labor markets, frequently being aware of external opportunities makes turnover intentions more unstable.

Turnover intentions are a precursor of retention outcomes. Organizations can take proactive steps to reduce actual turnover by monitoring and addressing the underlying causes of turnover intentions—especially equity perceptions, fairness in compensation, and career opportunities. Therefore, turnover intentions provide rich information along with job satisfaction and organizational commitment to evaluate the degree of employee's psychological attachment.

2.2.3.6 Theories Related to Employee Retention

Employee retention theories incorporate elements beyond financial compensation and address psychological and social aspects of the employment relationship. In this regard, Psychological Contract Theory and Job Embeddedness Theory stand out and offer very relevant and concrete answers as to why employees do not leave an organization. These theories highlight the importance of expectation fulfillment, trust and belonging, which together deepen organizational attachment and lessen turnover intention.

Psychological Contract Theory (Rousseau, 1989)

Argyris (1960) first proposed the Psychological Contract Theory, which was later expanded on by Rousseau (1989). It focuses on the unspoken, implicit expectations both employees and employers have about the relationship. Fair pay, professional development and respect are the minimum expectations from employees, but organizations look for loyalty, productivity and commitment in return. Fulfillment of expectations creates attachment and trust, while unmet expectations cause disengagement and the potential to leave the organization.

This theory pertains to perceived equity and retention, as psychological contract breaches result from inequities and unfulfilled promises around rewards and career progression (Park et al., 2025). Recent studies on hybrid and remote work settings indicate that in order to sustain psychological contracts, the operational needs involve transparency, inclusion, and communication (Galanti et al., 2023). Thus, the satisfaction of both the tangible and intangible expectation has become a pivotal component of contemporary retention strategies.

Job Embeddedness Theory (Mitchell et al., 2001)

Job Embeddedness Theory (Mitchell et al., 2001) analyzes facets of why employees stay rather than leaving an organization. It identifies three interconnected elements: links (relationships with employees and community), fit (the alignment between an individual and organizational values), and sacrifice (what employees stand to lose when they choose to

leave). Collectively, these attachments form a web, reducing the likelihood of an employee's turnover.

This theory focuses on the idea that retention cannot be influenced only by compensation. There are other considerations like the belongingness and fit with the organizational culture. Employees who are valued, socially integrated, and treated with equity perceive leaving as a added personal loss (Fajariyanti et al., 2022). In contemporary workplaces, the concepts of flexibility, and well-being are integrated as elements of embeddedness, and significantly improve commitment (Lei, 2024).

2.3 Relationships among the Study Variables

The relationship between compensation, perceived equity, and employee retention is essential for explaining how reward systems impact employee stability within an organization. Prior studies, both theoretical and empirical, have found equitably and competitively rewarding employees fosters employees' perceptions of equity which, in turn, affects employees' commitment, motivation, and intention to stay within an organization. Although compensation entails a tangible form of organizational reward, equity refers to employees' subjective evaluations of fairness in pay and treatment. Perceived equity serves as a pivotal psychological mechanism linking reward to retention outcomes. Therefore, this section reviews the empirical evidence on the relationships of these three constructs and how compensation and equity perceptions interact to influence retention and, consequently, organizational sustainability.

2.3.1 Compensation and Employee Retention

Compensation has always been an important factor of employee retention in various organizational settings. In the Malaysian manufacturing sector, Low & Tanaraj (2022) found that fair, performance-based compensation positively impacted retention by boosting

satisfaction and motivation. In the same vein, Yamoah et al. (2024) observed that the transparency and competitiveness of compensation systems in Ghana's financial institutions increased employee commitment and decreased turnover intentions. These findings indicate how the clarity and equity of pay dispersal systems are essential for retention, even more than the absolute level of pay, especially in sectors characterized by high employee turnover.

Focusing on the healthcare sector, Sutanto et al. (2023) examined the effect of compensation systems, work motivation, on nurse retention within Indonesia's healthcare system. They found that both factors positively effect nurse retention, compensation systems were found to be the most influential determinant of nurse retention. Similarly, Liu & Liu (2022) pointed out that in addition to financial rewards, the non-monetary incentives of recognition and professional development opportunities reduced voluntary turnover. This demonstrates that respect and appreciation from the organization can have an impact on retention alongside compensation. It is the psychological contract that every employee form and regards highly.

In the banking sector, Alqudah et al. (2022) stated that employees of Jordanian banks displayed greater commitment due to the competitiveness of pay and the equitable distribution of bonuses. They observed, however, that trust was undermined by inconsistent compensation policies, which showed that perceived equity was just as vital as the actual value of compensation. Likewise, Ogundare (2022) stated that workplace justice and belongingness, which foster retention, are created when organizations align compensation with market benchmarks.

To further build on this, Chen et al. (2023) posited that the integration of pay with performance systems increases employee motivation and engagement, while Ndiango et al. (2024) corroborated that the presence of intrinsic motivators together with equitable financial compensation builds attachment to the organization. that compensation, as an HR practice, needs to involve different psychological and cultural frameworks rather than simply one context.

Overall, the empirical literature does illustrate the impact of compensation on employee retention. Competitive, transparent systems of compensation and rationale systems

of payment provide satisfaction, commitment, and loyalty to the employee, thus reducing turnover intentions. Nevertheless, the aspects of compensation still include recognition, the opportunity to grow in one's career, the equitable distribution of rewards and other non-financial facets, which greatly influence an employee's decision to remain with an organization. Consequently, organizations must retain their employees through the adoption of well-balanced compensation strategies that blend monetary compensation with non-monetary compensation rewards and fair, open, and transparent payment systems.

2.3.2 Compensation and Perceived Equity

One of the most important signs that shows how fairly an organization values its employees and directly impacts expressions of equity is compensation. In the view of Adams (1963), equity is conceptualized around the alignment of employees' inputs (efforts, skills, and loyalty) and outputs (pay, advancement, and recognition). Employees who believe that their pay is equitable in comparison to colleagues performing comparable work are more likely to feel valued, motivated, and committed to the company. On the other hand, inequitable compensation practices will lead to perceptions of injustice, which will be trust eroding and morale weakening (Shah et al., 2024).

Numerous empirical studies highlight the role of compensation in shaping perceptions of equity in the workplace. Nguyen et al. (2020) showed that pay systems which are transparent and based on performance strengthens employees' perceptions of distributive and procedural fairness and consequently enhances employees' attitudes toward the organization. In the same vein, (de la Torre-Ruiz et al., 2024) illustrated that when systems of compensation incorporate gaps that are equitably assessed, and communication is transparent, employees consider the rewards as legitimate and as mirrors of their contributions and worth, which in turn boost perceived organizational support and satisfaction. This reflects the notion that the equity perceived is likely to stem not only from the amount of compensation provided, but also the rationale and the processes that accompany the compensation decisions.

Further Studies confirm that perceptions of fair treatment enhance psychological contracts and trust within organizations. According to Jolly et al. (2021), equitable and satisfying compensation systems enhance perceived organizational support (trust in management), which subsequently increases satisfaction and employee's retention. Ahmada et al. (2023) further noted employees who perceive equity in the distribution of rewards show higher levels of engagement and commitment. These findings suggest that compensation fulfills the dual role of an economic reward and a social signal of respect and recognition — emphasizing the moral contract that underlines the relationship between the employer and the employee.

In addition to fairness of outcomes, perceived equity derives from the procedural and interactional justice embedded within the compensation system. Transparent systems of compensation and participative systems of decision-making strengthen procedural fairness perceptions. Further, respect and civility of supervisors promote interpersonal fairness. (Stofberg, 2020; Tenhiälä et al., 2023). Employees who consider the remuneration system fair and its execution respectful are more inclined to maintain their loyalty to an organization, even in the case of the organization operating in a competitive recruiting environment.

To summarize, the strong connection between compensation and perceived equity shapes the psychological and moral dimensions of the employment relationship. While compensation satisfies basic material and motivational needs, but employees' equity perceptions determine the value of these rewards. Trust, engagement, and commitment derive from equitable compensation systems, transparent systems, and perceived equity, while inequity trigger dissatisfaction and turnover intentions. Thus, perceived equity acts as the primary facilitator of compensation's impact on retaining employees, a relationship this research aims to investigate in the banking industry.

2.3.3 Perceived Equity and Employee Retention

How equity is perceived significantly affects employees' retention and turnover intention. Equitable rewards, recognition, and treatment motivate employees to stay with an

organization. In such cases, employees bond reciprocally with the organization and show loyalty, engagement, commitment, and intention to stay with the organization (Colquitt et al., 2001). In contrast, feelings of inequity can lead to dissatisfaction, resentment, and turnover intentions, as employees feel undervalued compared to their inputs and peers. (Adams, 1963). In this regard, perceived equity is a unique psychological lens that employees focus on to determine organizational justice and decide whether to continue investing in the organization.

Numerous studies have established that perceptions of fairness are among the most significant predictors of employee retention. Jo & Shin (2025) showed that employees who perceived fairness in compensation, workload, and promotion scored lower turnover intentions and showed greater emotional attachment to their organizations. Likewise, as noted by Özkan (2023), the dimensions of procedural and interactional fairness, especially the transparency of decisions and the respectful tone of communications, considerably reduced voluntary turnover in the service-oriented sectors. These findings demonstrate that the perception of fairness and equity within the workplace does affect workplace satisfaction, but also serves as the psychological bond that keeps employees anchored to their organization.

More recent research extended the discussion of equity beyond just compensation to include other broader dimensions of organizational justice. Jo & Shin (2025) claimed that trust from employees and organizational identification—two key mediators of retention—develop when employees perceive greater fairness regarding performance evaluations and managerial communications. Likewise, Samman & Mohamed (2024) claimed that equity, particularly in the evolving tech-driven organizations, should also involve ethical and informational justice, that is, fairness and explainability concerning the use of algorithms and AI in HR decisions. This extensive understanding of equity posits that retention is related to the psychological and moral legitimacy of organizational practices and not only the tangible rewards.

Perceived equity arises from psychological safety and positively impacts engagement and commitment. Employees who feel they are treated fairly are more likely to speak up,

engage with others, and align their goals with those of the organization, thus increasing retention (Rahman & Karim, 2022). On the other hand, disengagement becomes a problem in inequitable environments, causing employees to withdraw effort and look for external job opportunities. In high-pressure sectors, like banking, organizational stability along with customer relations depends upon trust and fairness. Employees being recruited and retained, depends upon perceived equity (Haque et al., 2025).

In brief, perceived equity provides the psychological underpinning and strategic necessity for retention. When employees feel that fairness and respect are afforded to them—especially in relation to compensation and everyday managerial practices— employees are likely to develop a sense of worth, trust, and attachment to the organization, and are likely to retain within the organization. In contrast, inequity that is perceived gets the employees dissatisfied, disengaged, and likely to leave the organization, thereby eroding bonds on the relational level within the workplace. Hence, maintaining perceived equity must be strategically prioritized, in addition to its ethical implications, for retention and organizational sustainability.

2.3.4 The Mediating Role of Perceived Equity in the Compensation-Retention Relationship

The relationship between compensation and retention of employees is not purely transactional, it is psychologically mediated by equity perceptions employees have toward their organization. Even though compensation is a tangible motivator, employees will only be retained when the compensation is perceived as fair, transparent, and commensurate to employee's efforts and contributions (Adams, 1963). According to Equity Theory (Adams, 1965), employees evaluate fairness by comparing input–output ratios with other employees. Perceived inequity, whether in recognition or pay, results in dissatisfaction and withdrawal (Malik & Singh, 2020). Likewise, according to Organizational Justice Theory, satisfaction and commitment are positively influenced by fairness in pay distribution, decision-making, and interpersonal treatment (Colquitt, 2001).

Perceived equity can act as a mediating mechanism that converts financial incentives into emotional attachment and loyalty to the organization. When employees view the entire compensation system, including both monetary and non-monetary rewards, as equitable and fair, they view rewards as a signal that the organization recognizes and respects them, it creates satisfaction and fosters commitment (Lahlou-Kassi & Eddakir, 2025). In contrast, employees who have inequitable, inconsistent streams of compensation and inequitable reward systems will feel like the systems unfairly undervalue their work. Furthermore, they become disengaged and are more likely to leave the organization.

The empirical literature has confirmed this mediating role. For instance, Alfano (2024) demonstrates how perceptions of distributive and procedural justice influence job satisfaction, in turn, results in reduced turnover intention. In the same vein, Bangsu et al. (2023) highlighted that even with competitive pay offers, retention only improves when employees perceive pay decisions as equitable. These findings indicate that perceptions of fairness affect how employees react to pay and that the absence of a fair organizational environment makes compensation systems incomplete.

More contemporary studies elaborate on this relationship by increasingly incorporating the non-financial aspects of compensation like recognition, development opportunities, and work–life balance. In the case of Hareendrakumar et al. (2020), perceived equity mediates the relationship between both monetary and non-monetary rewards and employee loyalty, especially in hybrid and flexible work settings. Shinde (2025) similarly noted that employees' perception of fairness in workload and in career growth opportunities impacts their decision to remain with an organization even more than an increase in salary. These results emphasize that perceived equity is a comprehensive concept that entails different forms of fairness—distributive, procedural, and interactional—all of which strengthen employees' retention.

Employee retention plays a critical role in shaping customer trust and reputation especially within banking and service industries. In this context, the mediating role of equity in the relationship between compensation and retention becomes very important. Lahlou-Kassi et al. (2025) induced the perception of equitable compensation systems and enhanced organizational identification, leading to a reduction in turnover intention. Conversely,

perceived inequity within competitive salaries will still produce disengagement and higher turnover intention. Organizations that are equitable and fair will, therefore, enjoy higher retention and have motivated, loyal, and high-performance employees.

As noted above, perceived equity is the psychological bridge that connects compensation to retention. While compensation is the starting point for any reward, an employee's effort will only be sustained if compensation is also perceived to be fair. If employees believe they're being paid fairly but not equitably, effort will not be sustained. Employees will only be loyal to an organization if they feel that their efforts are recognized to an appropriate degree. Thus, for an organization to achieve retention, the effectiveness of compensation relies on the organization's values of transparency, fairness, and consistency in the reward systems. In these situations, payment will actively form trust and commitment to the organization; it will be more than a financial transaction.

2.4 Previous Studies

- Shinde (2025) completed a titled "From Perceived Inequity to Retention: Leveraging Equity Theory in Contemporary Workforce Management" which examines how perceived fairness in an employee's workload, rewards, and recognition affect employee retention, and which Equity Theory had set the groundwork for. This study examines how fairness perceptions drive motivation and disengagement and ultimately, turnover. The research posits that fairness is not just an ethical issue, but also a strategic driver of organizational performance.

The research spanned employees within the IT, healthcare, and manufacturing sectors and employed purposive sampling to capture various views on fairness. It was conceptualized using literature and secondary data gathered from reputable entities such as SHRM (2022), PwC (2023), and Harvard Business Review (2022). The

dimensions of fairness were analyzed using constructs from Equity Theory such as input/output ratios and comparison referents.

Research shows that companies that adopt transparency in their compensation systems and come up with equitable distribution of workload, along with unbiased recognition programs achieved turnover reductions by 27-30%. The study concluded that fairness creates trust, commitment, and retention, making equity a focal point in modern human resource management strategies. This research strengthens the value of equity that the current study focuses on.

- Chen et al. (2023) conducted a comprehensive meta-analysis entitled “A Cognitive Evaluation and Equity-Based Perspective of Pay for Performance on Job Performance: A Meta-Analysis and Path Model.” This study addresses how pay-for-performance (PEP) systems affect employee job performance through cognitive evaluation and equity theory. The authors sought to understand how PFP might improve or diminish performance and the psychological and contextual drivers behind the relationship.

The meta-analysis integrated findings from 108 independent samples included in 100 empirical studies covering 71,438 employees from multiple industries and countries. The researchers implemented a systematic search through Web of Science, ProQuest, and CNKI. Only studies conducted in real work settings were included. The data were analyzed using the meta-analytic structural equation modeling (MASEM) technique based on Hunter and Schmidt’s (2004) random-effects model, with reliability corrections and heterogeneity tests applied to ensure robustness.

Evidence shows that PFP positively correlates with job performance with ($\rho = 0.23$). PFP had a stronger effect on task performance ($\rho = 0.26$) compared to on contextual performance ($\rho = 0.17$). From a cognitive evaluation perspective, intrinsic motivation positively mediated the relationship between PFP and job performance, however, job pressure negatively mediated the relationship. Distributive justice, from an equity

perspective, primarily mediated task performance, while procedural justice mediated contextual performance. Moreover, the impacts of PFP varied based on national culture, being stronger in collectivist cultures, and depending on the approach PFP was measured, whether through perceived or actual.

- The study of Zhao et al. (2024) "The Impact of Organizational Justice on Turnover Intention Among Primary Healthcare Workers: The Mediating Role of Work Motivation." Examined the different components of organizational justice (distributive, procedural, and interactional) and their impact on the turnover intention of primary healthcare workers (PHCWs) in China, with work motivation acting as a mediating variable. The study proposed to understand, using the Equity Theory and Self-Determination Theory, whether the varying levels and types of work motivation explain the link perceived fairness has with employees' turnover intention.

The study employed a cross-sectional research design, and used a multi-stage cluster sampling technique. A total of 1,200 PHCWs from 36 primary healthcare institutions in three cities of the Shandong Province of China completed the survey (response rate 94.4%). The Organizational Justice Scale (Niehoff & Moorman, 1993), Work Motivation Scale for Healthcare Workers, and Turnover Intention Scale (Mobley et al., 1978) were used for data collection and revealed strong internal cohesion (Cronbach's alpha between 0.828 and 0.968).

Using SPSS 22.0 for multiple linear regression and mediation analysis, results showed that organizational justice negatively and significantly impacted turnover intention ($\beta = -0.435$, $p < 0.001$). Among the components of justice, both distributive ($\beta = -0.203$, $p < 0.001$) and procedural ($\beta = -0.177$, $p < 0.01$) had impacts, and the interactional justice component had none. Moreover, the type and intensity of work motivation as a mediating variable of the relationship explained 13.8% and 18.2% of the total impact, respectively. From the findings, to strengthened retention of PHCWs in China, the study proposed that both types of fairness – distributive and procedural

– and intrinsic motivation need to be enhanced through transparent compensation and promotion systems, participative decision-making.

- Xu et al. (2024) conducted a study titled “Multiple Salary Comparisons, Distributive Justice, and Employee Withdrawal.” This study examined how employees make sense of incongruent salary comparisons—where employees’ salaries are greater than some benchmarks and lower than others—and how those comparisons affect perceived distributive justice and subsequent withdrawal. Based on the Model of Dispositional Attribution and Equity Theory, the study argued that employees are more likely to focus on the negative comparison outcome (i.e., underpayment) than a positive outcome (i.e., overpayment) through a restrictive hierarchical schema.

The study population consisted of employees from various occupational backgrounds across three investigations. Study 1, which utilized a quasi-experimental vignette design, 122 working adults from the U.S. were recruited via Amazon Mechanical Turk. In Study 2, 307 employees from an online educational institution in China were surveyed in a two-wave field survey. Study 3 comprised a two-wave field survey of 334 secondary school teachers in China. Standardized instruments used for data collection included the Distributive Justice Scale, scales for salary comparison, neglect and withdrawal scales, and the Zero-Sum Construal of Success scale.

Using ANOVA, polynomial regression, response surface modeling, and moderated mediation analyses in Mplus 8.4, The study discovered that underpayment information negatively impacted perceived fairness more than overpayment information. Reduced perceptions of distributive justice were significantly associated with an increase in neglect, turnover intention, and voluntary turnover. Moreover, these effects were especially strong among employees with a low zero-sum construal of success, indicating that moral, as opposed to economic, reasoning predominantly shapes reactions to pay comparisons.

- A study by Wahyanto et al. (2020) was conducted titled “People Equity Model as an Effort to Increase Employees’ Intention to Stay” was conducted . This research aimed to develop and test the People Equity Model to enhance strategically hospitals with retaining employees. This study assessed the organizational, individual, occupational, and environmental elements that shape the people equity, which is the integration of alignment, capability, and engagement, and how they influence the employees’ intention to stay. An analytical cross-sectional design accompanied by the PLS-SEM methodology was applied in this study. The sample consisted of 154 respondents, selected through stratified random sampling from various hospital departments. Data were gathered through structured questionnaires which measured organizational, individual, occupational, and environmental dimensions.

The findings revealed that organizational, individual, and occupational dimensions positively impacted people equity. This suggests that balanced organizational systems, skilled and motivated people, and a positive work environment all enhance people’s feelings of alignment, capability, and engagement. People equity with individual and environmental factors also significantly predicted employees’ intention to stay, illustrating that valued, competent, and goal-aligned employees, along with supportive individual factors and situational factors, are more likely to continue with their organization. Conversely, family and external job market factors did not significantly influence people equity.

The reviewed studies highlight compensation and perceived equity as interlinked constructs within the context of employee retention. Research in several industries has found that while an employee’s motivation and satisfaction with their role increases with fair compensation, equity perception—how an employee assesses fairness in the outcome of rewards, distributive decisions, and overall decision-making fairness—determines their organizational commitment and retention intent. This observation resonates with the principles of Equity Theory and the framework of Organizational Justice, where the psychological dimension of fairness mediates the relation between the rewards received and the subsequent employee behavior.

Despite the overwhelming evidence in most regions of the world, the relationships within the void of empirical studies in the context of the Palestinian banking sector remain unexplored. Given the current context of economic challenges and competition for labor, the current work attempts to contribute to the literature by examining the role of perceived equity as a mediator of the relationship between compensation receiving and retaining employees in the sector. The study purposefully seeks to address the contextual gaps in the literature to demonstrate the stabilizing effects of fair compensation on employee retention for the organization.

2.5 Chapter Summary

This chapter provided an extensive review of literature concerning compensation, perceived equity, and employee retention. It discussed each variable's conceptual framework, their definitions and dimensions, and interrelationships, thereby laying the foundation of the study both theoretically and empirically. Compensation was reviewed as a multidimensional construct including not only financial components like salary and bonuses but also non-financial elements such as training, and describing its importance in improving motivation, satisfaction, and commitment over time. Perceived equity was studied through its three main dimensions - distributive, procedural, and interactional equity - as each describes distinct dimensions of fairness that impact employee behaviors and attitudes in an organization.

This chapter also highlighted relevant and current theories regarding the psychological and motivational aspects of compensation, fairness, and retention. Various theories have been reviewed in this chapter including Equity Theory, Herzberg's Two-Factor Theory, Social Exchange Theory, Organizational Justice Theory, Job Embeddedness Theory, Psychological Contract Theory, Expectancy Theory, and Job Demands-Resources (JD-R) theory and how these theories inform employee attitudes concerning compensation and retention decision behaviors toward the organization.

In addition, the empirical review illustrated results from more recent studies within various sectors, showing that fair and competitive pay increases levels of employee

satisfaction, and commitment, and promotes retention. Also, evidence showed that perceived equity mediates the relationship between compensation and retention, indicating that fairness perceptions turn money into psychological attachment and strong loyalty to the organization.

In conclusion, the chapter emphasized that simply providing compensation cannot guarantee that employees will stay, unless it is seen as fair, transparent, and aligned with their value. The balance of justice and reward practice is the basis that can be used to develop more effective employee retention initiatives. Consequently, this literature review provided both the conceptual and the empirical basis outlining the hypotheses for this study, which aims to analyze the role of perceived equity as a mediator in the compensation–retention relationship in the context of the banking industry.

Table (2.1) References Table for Study Variables and Dimensions

Variable	Dimension	Supporting References
Compensation	Salary	Hijuzaman et al. (2022)
	Bonus	Clemens (2024)
	Training	Mohamed et al. (2023)
Perceived Equity	Distributive Equity	Fitriani et al. (2025)
	Procedural Equity	Zhang et al. (2024)
	Interactional Equity	Raineri (2023)
Employee Retention	Job Satisfaction	Jogi et al. (2025)
	Organizational Commitment	Moreira et al. (2024)
	Turnover Intentions	Kellerer & Süß (2025)

Chapter Three: Methodology

3.1 Introduction

This chapter described the methods used to conduct this research. The steps were taken to analyze the mediating role of perceived equity in the compensation-employee retention relationship within the Palestinian banking sector employees. The chapter covered research design, population & sampling, data collection tools, and the measures were taken to ensure the study's validity and reliability.

Furthermore, this chapter outlined the dimensions of each variable, and explained the approaches that were used for data screening, testing of hypotheses, and mediation analysis. The methodology used in this research was designed to ensure that the data collection was precise, dependable, and appropriate for responding to the research questions and fulfilling the aims of the study. The subsequent sections described the rationale for each component of the methodology in detail.

3.2 Research Design

In this research, the researcher intended to use a quantitative approach to study the mediating effect of perceived equity on the relationship of compensation and retention amongst employees in the Palestinian banking sector. A quantitative approach was used to allow the researcher to collect measurable, quantifiable, and computable values, as well as explain the relationships of various variables in a reasoned and organized way (Ghanad, 2023).

A self-administered questionnaire was used to collect data, as it is one of the most effective means in quantitative studies because it facilitates the rapid collection of structured, comparable, and large-scale responses in a short period of time (Belisario et al., 2015).

Questionnaires were made available in both electronic and hard copy formats to reach all potential participants across the West Bank banks branches.

The researcher was able to perform hypothesis testing and assess the direct and indirect impact of compensation on employee retention via perceived equity using the statistical techniques described as descriptive analysis, correlation, regression, and mediation analysis.

3.3 Data Collection and Sampling

The theoretical and empirical groundwork for this quantitative study involved data collection from primary and secondary sources. Secondary data collection was important at this early stage of research in developing the theoretical background and establishing relevant empirical evidence. However, the primary method of gathering quantitative data was through a survey using a fixed questionnaire. The target respondents were employees within the Palestinian banking sector. The questionnaire was utilized as the primary quantitative research instrument for collecting data as well as for collecting some demographic data of the respondents. Research secondary data were collected depending on published books, related peer-reviewed articles, prominent journal database, online websites, master's thesis and doctoral dissertations. All secondary data references are listed in the list of references.

Blaikie and Priest (2019) explain that quantitative research focuses on measurements and countable data and highlights the importance of standardized instruments to maintain objectivity and comparability. Questionnaires that are personally administered, interviews that are structured, and structured observations are some of the common ways to collect quantitative data. For this study, the questionnaire was the best tool since it allowed respondents to answer on their own, eliminating as much researcher influence as possible, thus ensuring objectivity and minimizing response bias. Also, as noted by Kuphanga (2024), questionnaire surveys are the best instruments in the social sciences for collecting large volumes of data in a timely and cost-effective manner.

The defined study population determined the sample for this study. Because this research primarily seeks to assess the mediating role of perceived equity on the relation between compensation and employee retention, the study population encompassed employees of the banks located in the West Bank.

As reported by the Association of Banks in Palestine (2024), the Palestinian banking sector employs about 7,579 people. Unfortunately, due to accessibility issues, this research focused on banks located in the West Bank only. After excluding employees in Gaza branches, the relevant population for this research totals 6,879 employees.

A stratified sampling method was set to be implemented so that employees from each department would be included. Nevertheless, when the questionnaires were distributed in both physical and digital forms to various Palestinian banks, the sample eventually included only those employees who were available and prepared to take part. This method facilitated the participation of employees from different departments and minimized the likelihood of selection bias (Sekaran & Bougie, 2016).

For the demographics section of the questionnaire, the population's gender, job role, and years of experience were documented and subsequently analyzed to establish a comprehensive description of the participants.

Robert Mason's equation (1989) was employed to calculate the minimum required sample size for this study since it fits quantitative studies with a finite population. The equation is shown as follows

$$n = \frac{N}{[S^2 X (N-1) \div pq] + 1}$$

While the minimum sample size was determined to be 378, 297 valid questionnaires were completed. This discrepancy was mostly due to distribution period response rate differentials across participating banks and field and institutional limitations during the data collection period. Nevertheless, the sample size was deemed sufficient for the statistical methods utilized, especially PLS-SEM, which is a partial least squares structural equation

modeling technique geared towards predictive models and is capable of yielding reliable results with modest sample sizes. Thus, 297 respondents were considered a sufficient sample size to accomplish the objectives of the study.

Data gathering occurred over ten days, spanning from December 14 to December 23, 2025. Surveys were provided in both electronic and hard copy versions. With the aim of reaching respondents, an official university letter was acquired and presented to the banks involved.

3.4 Data Collection Tool

The questionnaire served as the main instrument for data collection in this study. It incorporated validated scales while modifying them to suit the context of the banking sector in Palestine. The questionnaire had four sections all of them used the same Likert scale so that the measured constructs were consistent, this approach reflected Sekaran and Bougie (2020) as they stipulate that the scales chosen should correspond to the conceptual meaning of the variables in question.

In Section A, there were demographic questions about respondents' age, gender, level of education, job title, and years of experience. This type of questions collects descriptive information about respondents and are important to understand sample characteristics.

Section B focused on Compensation which consisted of the three dimensions: salary, bonus, and training. Because these components evaluate the scale of satisfaction employees experience regarding the compensation practices, this section also utilized the five-point Likert scale from strongly disagree to strongly agree. This section's items were taken from previously validated instruments designed by Heneman & Schwab (1985), Miceli & Lane (1991), Sturman & Short (2000), Williams et al. (2006), Portia & Hlanganipai (2021), Kinyamu et al. (2021).

Section C assessed Perceived Equity, specifically how employees viewed fairness in compensation and treatment within the organization. This section employed a five-point Likert scale ranging from strongly disagree to strongly agree, on account of this construct handling attitudes, belief-based judgments, and not mere satisfaction. Statements in this section drew from Colquitt (2001) Organizational Justice Scale, which focuses on distributive, procedural, and interactional justice.

Section D addressed the final topic of Employee Retention Measure. Employee Retention was assessed using the retention survey of Kyndt et al. (2009). These items measured employees' Retention in the form of employees' intentions as to the prospects of staying with the organization which was measured using strongly disagree to strongly agree scale.

Utilizing a single Likert scale across all questionnaire sections helps to increase respondents' comprehension and maintain consistency while enabling accurate assessments of the measured constructs.

As stated in Table (3.X), the researcher used three classifications (low, medium, and high) to understand and classify the mean values of the respondents' answers.

Table (3.1) The Levels of Responses

Interval	Level
Between 1 and less than 2.33	Low
Between 2.33 and less than 3.66	Medium
3.66-5	High

3.5 Internal Validity and Reliability Statistics

According to Saunders et al. (2023) the validity and reliability of the collected data depend greatly on how clearly and effectively the specific questions are framed, on the nature of the scale used, and on how thoroughly the pilot testing phase is structured. Furthermore, Hardy & Ford (2014) explained that even questions which are phrased clearly can be understood differently which may pose a risk of undermining construct validity and the quality of results. Therefore, internal validity of the questions must be guaranteed such that

it truly captures what it is intended to, and reliability is such that variability in responses is consistent across different respondents.

This study conducted a pilot test before distributing the actual questionnaire. The goal of the pilot test was to assess the clarity of the statements, the level of comprehension, and the suitability of the measurement scale. In this regard, Saunders et al. (2023) suggests that pilot testing enables one to fine-tune a questionnaire to avoid ambiguity and assists in locating parts that need to be rephrased or modified.

To achieve this, the questionnaire was first administered to a pilot sample consisting of around 30 employees from banks in the West Bank who held the same relevant characteristics as the target population. Comments from the pilot respondents were reviewed to check the readability, clarity, and relevance to the research aims. As part of the research design, the questionnaire was also reviewed by experts in the field of human resource management and organizational behavior to establish content validity and to check alignment of the items with the intended constructs for validity.

Testing the results allow the determination the reliability for each variable and dimension through the use of Cronbach's Alpha coefficient. In congruence with Gebremedhin et al. (2022), a Cronbach's Alpha value of 0.70 or greater is acceptable and will indicate internal consistency. Any item which detrimented reliability was evaluated and revised if necessary prior to the final distribution.

To guarantee that the last version of the questionnaire accurately and reliably measured compensation, perceived equity, and employee retention in the Palestinian banking sector, the validity review, expert evaluation, and reliability testing were conducted.

3.6 Dimension Analysis

In this study, a dimension analysis was executed to confirm that every construct was assessed accurately across its various dimensions. Because the research variables comprised several conceptual statements, it was necessary to ensure that the statements in the survey

accurately captured the theoretical essence of every dimension. Helping to ensure that items were grouped cohesively, dimension analysis showed that the items assessed the construct intended in the research and aligned with the research framework.

The Compensation variable was made up of three dimensions: salary, bonus, and training. As such, compensation was both financial and non-financial. In the subsequent data collection phase, the items for each dimension were thoroughly reviewed to establish whether there was a consistent indication that employees were satisfied with the level of payment, the incentives within each pay level, and the available opportunities for growth and development.

The Perceived Equity variable contained distributive, procedural, and interactional justice. These described how employees evaluated the fairness of reward distributions, the fairness of the decision-making processes, and the justice of treatment at the relational level. After collecting the questionnaire, the corresponding items for each dimension were analyzed to ascertain that they were different and theoretically coherent with the fairness concept.

The employee retention scale was regarded as a single metric, as it included multiple measurement items. These items reflected employees' overall intention to remain with the organization as well as their willingness to stay employed. After completing the data entry, the measurement items were evaluated to confirm that they correlated with the employee retention construct.

Table (3.2) KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.966
Bartlett's Test of Sphericity	Approx. Chi-Square	11866.748
	df	820
	Sig.	0.000

Source: SPSS outcome.

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is a method used to check if the data is viable for factor analysis. The KMO score assesses the degree to which variance in the dataset can be explained by common variance. As per Pallant (2020), a KMO score above (0.60) is deemed acceptable, and a score close to (1.00) indicates an even greater level of sampling adequacy. In table 3.2, a KMO score of (0.966) confirms high sampling adequacy which further confirms that factor analysis can be performed on the data.

Furthermore, in light of Bartlett's Test of Sphericity, we note a statistically significant result ($\chi^2 = 11866.748$, $df = 820$, $Sig. = 0.000$), suggesting the correlation matrix does not represent a correlation matrix, meaning there is plenty of correlation with the variables. Thus, the results confirm factor analysis can be executed, and is appropriate for this study.

Table (3.3) Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	22.420	54.683	54.683	22.420	54.683	54.683
2	3.182	7.762	62.445	3.182	7.762	62.445
3	1.402	3.420	65.865	1.402	3.420	65.865
4	1.132	2.760	68.625	1.132	2.760	68.625

Extraction Method: Principal Component Analysis. / SPSS

According to Table 3.3, Component 1 has the highest eigenvalue, which is 22.42 that represents 54.68% of total variance, which is the largest proportion of variance for the data set. Components 2, 3, and 4 have eigenvalues greater than 1.0 which represent 7.76%, 3.42%, and 2.76% of the total variance respectively. In total, these 4 Components represent 68.63 %, which is fairly reasonable. This means that the underlying structure is satisfactorily

represented by the retained components. Therefore, a rotation and interpretation should be conducted on these components.

To better assess and select the appropriate number of dimensions, the Scree Plot is useful. Figure 3.1 demonstrates that from dimension number 5, the line gets straight.

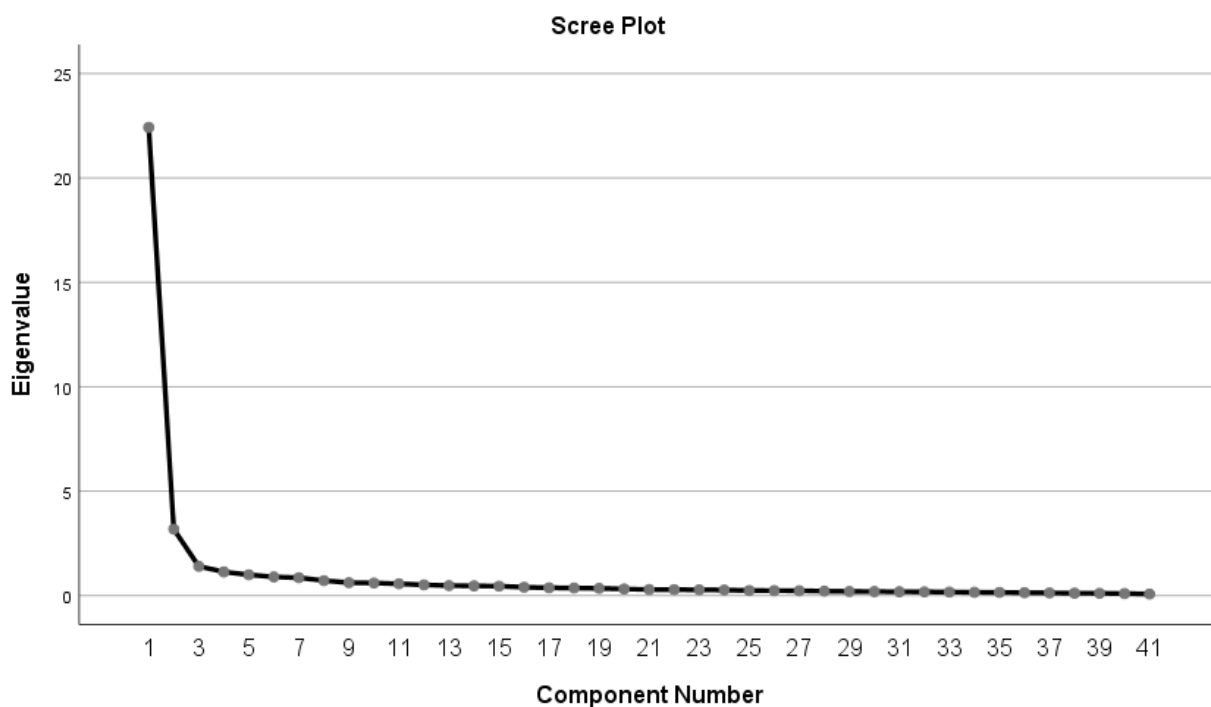


Figure (3.1) Scree Plot of Combined data

Source: SPSS outcome

This shows that in each successive dimension smaller amounts are accounted for in total variance. It is to be noted that the researcher did dimension analysis for four dimensions backed by the eigenvalue criterion, the Total Variance Explained table, and the scree plot

results. Using SPSS version 28, factor analysis for the dimensions retained clear and interpretable solutions. Since the number of factors is known, the next step is to rotate the extracted dimensions for easier interpretation. According to Pallant (2020), rotation does not change the underlying solution, but it does improve the clarity of factor loadings by reducing the extent of loadings of variables across multiple dimensions and modifying the prominence of each factor.

Table (3.4) Rotated Component Matrix and Reliability Statistics

	Bonus	DJ	IJ	PJ	RET	Salary	Training
BON1	0.863						
BON2	0.853						
BON3	0.887						
BON4	0.870						
BON5	0.862						
BON6	0.886						
DJ1		0.882					
DJ2		0.911					
DJ3		0.876					
DJ4		0.803					
IJ1			0.876				
IJ2			0.789				
IJ3			0.814				
IJ4			0.890				
IJ5			0.868				
PJ1				0.828			
PJ2				0.888			
PJ3				0.844			
PJ4				0.870			
RET1					0.793		
RET2					0.834		
RET3					0.889		
RET4					0.855		
RET5					0.759		
RET6					0.847		
RET7					0.866		
SAL1						0.863	

SAL2						0.861	
SAL3						0.833	
SAL4						0.810	
SAL5						0.876	
SAL6						0.808	
SAL7						0.803	
SAL8						0.442	
TRN1							0.861
TRN2							0.872
TRN3							0.931
TRN4							0.927
TRN5							0.896
TRN6							0.886

The Kaiser Normalization with Oblimin rotation displays the seven variables of the study and the key statements loading on each variable. The 40 statements included in the study instrument, as shown in Table 3.4, were allocated to the seven dimensions of salary, bonus, training, distributive justice, procedural justice, interactional justice, and employee retention. All factor loadings were greater than 0.40. This is considered the acceptable level and indicates a meaningful relationship of each statement to its dimension (Guadagnoli & Velicer, 1988).

Reliability pertains to the erasure of error and bias in the evaluation of the measurement across multiple items of the questionnaire and how the evaluation instrument is free from error and bias. One of the measures of internal consistency is Cronbach's Alpha, a tool established by Lee Cronbach in 1951. Values of the coefficient range from 0 to 1, and the instrument is considered to be reliable if the value is above 0.70 (Sekaran & Bougie, 2016). As shown in Table 3.7, all dimensions reported Cronbach's Alpha values that were greater than the minimum threshold of 0.70, thus, all items were considered to be internally consistent. With regard to the overall Cronbach's Alpha value, it was greater than 0.70, thus, confirming his instrument was highly consistent and reliable and therefore, suitable for conducting further statistical analysis.

3.7 Statistical approach

In this study, collected data were analyzed using SPSS, Version 28, and SmartPLS 4. SPSS was used to:

1. Analyze the primary collected data.
2. Analyze frequencies, percentages, means and standard deviations.

For reliability testing and internal consistency of the questionnaire items, the Cronbach's Alpha was used.

Path analysis was also conducted using SmartPLS 4 software to assess relationships among the variables in the study and the mediating impact of perceived equity. For this study, the indirect and direct relationships of compensation, perceived equity, and employee retention were analyzed using Structural Equation Modeling (SEM) specifically the Partial Least Squares (PLS) approach.

This integrated statistical technique ensured precise hypothesis testing for this study and advanced the understanding of the role of compensation on employee retention, along with how perceived equity mediates this relationship in the Palestinian banking sector.

3.8 Research model

The implications of the literature review and the hypothesized relationships between the variables in the study suggest that the proposed research model has identified the construct of compensation as an influencer of employee retention, and perceived equity as a mediator of the relationship. This model corresponds with the objectives and research questions outlined in the first chapter.

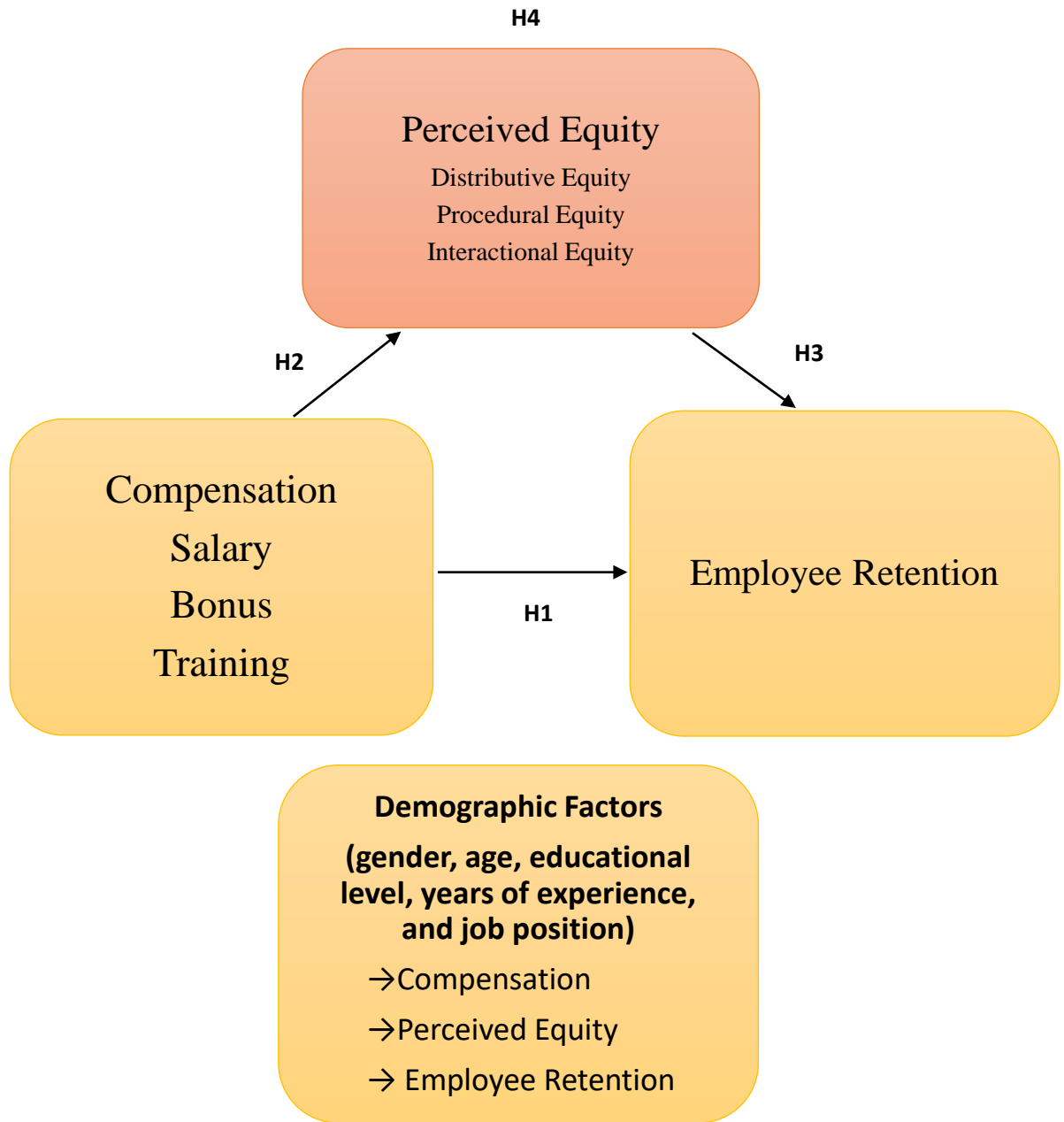


Figure (3.2) Proposed Research Model

3.9 Chapter Summary

This chapter explained how the researcher investigated the relationship between compensation and employee retention, and the mediating role of perceived equity within

employees in the Palestinian banking sector. The study adopted a quantitative approach to data collection, the researcher administered a structured questionnaire in English. The questionnaire included items to measure compensation, perceived equity, and employee retention and their dimensions within the defined scope.

The target population of this research was employees of banks located in the West Bank. The sample size was determined according to Robert Mason's equation (1989). Simple random sampling was intended so that every employee of the bank would have an equal opportunity to be selected. Nonetheless, after the questionnaires were given out, the final sample was made up of employees who were available and opted to take part. Before the full deployment, the researcher conducted a pilot test to ensure the questionnaire's clarity and check for validity and reliability. The researcher used Cronbach's Alpha to assess reliability for internal consistency.

Once the data were collected, descriptive analytics and reliability checks took place on SPSS 28, while structural model testing and mediation analysis were conducted on SmartPLS 4. The conceptual model in this chapter depicted anticipated relationships between the variables and will guide the hypothesis testing that will be covered in the following chapter.

Chapter Four: Results and Discussion

4.1 Introduction

This chapter presents and discusses the results of the study using Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis via SmartPLS software. The analysis employed a two-stage approach. In the first stage, the measurement model for all first-order variables (salary, bonus, training, distributive justice, procedural justice, interactional justice, and employee retention) was evaluated to verify its reliability and validity. In the second stage, the results for the underlying variables from the first stage were used to construct a second-order structural model that included compensation (second-order variables: salary, bonus, and training), perceived justice (second-order variables: distributive justice, procedural justice, and interactional justice), and employee retention. Bootstrapping (redistribution = 5000) was used to test the study hypotheses and analyze the mediating role of perceived justice in the relationship between compensation and employee retention in the Palestinian banking sector. The chapter included descriptive statistics for the sample, evaluation of the measurement model (reliability and validity results), evaluation of the structural model, hypothesis testing and mediation analysis.

4.2 Descriptive Statistics

4.2.1 Demographic Variable

The Palestinian banking sector functions within the framework of the Palestinian Monetary Authority (PMA) regulations and applicable labor laws, which promote the principles of fairness in employment and uniformity in recruiting and hiring processes. As a result, banks hire employees from various demographic categories, including gender, age, education, work experience, and job position. Due to organizational and operational needs, employees in the banking sector are positioned at different ranks - from junior officers to

managers - and hold different levels of education and years of professional experience. Therefore, the study sample needs to represent these demographic differences to strengthen the validity and generalizability of the research results. As noted by Saunders et al. (2023), demographic variables are aspects that can be captured by respondents easily and reliably, and are typically used to analyze the variation in attitudes, perception, and behavioral response across different population groups. The demographic variables in this study are gender, age, level of education, years of service, and position. The frequency distribution of respondents' demographic variables is presented in Table 4.1.

Table (4.1) Frequency Distribution of Demographic Variable

Variable	Category	N	%
Gender	Male	179	60.3%
	Female	118	39.7%
Age	Under 25 years old	42	14.1%
	25-34 years old	126	42.4%
	35-44 years old	86	29.0%
	45 years and above	43	14.5%
Academic Degree	Diploma	16	5.4%
	Bachelor's degree	227	76.4%
	Master's degree	46	15.5%
	PhD (Doctorate)	8	2.7%
Years of Experience	Less than 2 years	32	10.8%
	2- 5years	73	24.6%
	6-10 years	61	20.5%
	More than 10 years	131	44.1%
Job title	Officer	161	54.2%

	Supervisor/Head of Department	58	19.5%
	Deputy Manager	32	10.8%
	Manager	46	15.5%

From employees in the banking sector of the West Bank, Palestine, 410 questionnaires were distributed, and 297 valid questionnaires were received. The demographic review shows these respondents reflect a good degree of diversity. There were proportionally more male respondents (60.3%) than female (39.7%) which might be due to more males traditionally being involved in the labor force, especially in the banking and finance sector in the full-time roles, and the cultural and social influences on employment and career pathways.

In the age category, the majority of respondents were within the 25-34 age bracket at 42.4%. This response shows the focus of the banking industry on youth and young/early career workers. These employees tend to have the relevant and recent academic knowledge, tech skills and flexibility to adjust to the changes in the work situation. The age group of 35-44 years (29.0%) stands for a group that has a bit more work experience and is likely to hold higher positions or supervisory positions. The smaller proportion of employees in the bracket of 45 years and above can be attributed to the fact that people in this age category can be in career transitions, have early retirement or are more concentrated in the higher top managerial positions that are fewer in number.

In terms of educational qualifications, the biggest proportion, 76.4%, of the respondents holding a Bachelor's degree is consistent with the minimum requirement for most positions in the banking sector, which need an undergraduate qualification in fields such as finance, business administration, accounting, or other related disciplines. The small shares of diploma and postgraduate degree holders correspond to the few positions available that are either academically specialized or in technical fields.

Considering work experience, the significant number of respondents with ten years or more experience (44.1%) indicates a more or less stable workforce in the banking industry.

This workforce stability could be due to the hiring of more secure, careers with more structured progression, and more organizational benefits banking employees. On the other hand, the less represented employees with fewer years of experience could be due to recruitment being more selective and lower turnover.

Lastly, the majority of junior officers (54.2%) indicates the bank's structure, which has more personnel at the operational level than at the supervisors and managers level. As for the title holders in higher positions, the decreasing percentages are justified since these are less and have higher requirements in terms of experience and job responsibility. In general, these distributions are in line with the functional and hierarchical structure of the Palestinian banking sector and confirms the representativeness of the sample in the study.

4.2.2 Descriptive Statistics for the Main Study Variables

Consequently, the analysis outlines the means and standard deviations for each item on the questionnaire to capture respondents' perceptions, concerning compensation, perceived equity and employee retention within the Palestinian banking sector. In relation to the primary research questions that concern the compensation level and perceived equity (distributive, procedural, and interactional) as well as employee retention, descriptive statistics were calculated in Tables 4.2 to 4.5 for the study sample. Employee perceptions concerning the study variables were determined to be low, moderate, or high, based on the mean and standard deviation values, which also assisted in the analysis. Furthermore, this analysis provides a fundamental basis for the assessment of the measurement model and the related hypothesis tests, which are presented later in this chapter.

From Table 4.2, the compensation dimension's average score is 3.11 (SD = 1.16). This implies employees feel moderate overall satisfaction with compensation. Among the compensation sub-dimensions, the most positive score of 3.43 (SD = 1.14) was achieved by training, meaning most respondents perceived it positively. Bonus scored 3.02 (SD = 1.20) and is therefore considered moderate. Conversely, the dimension of salary received the

lowest score with 2.89 (SD = 1.16). This means that respondents were less satisfied with bonus compensation.

Tables 4.2–4.4 present descriptive statistics, including means, standard deviations, and levels, for the main study variables and their dimensions.

Table (4.2) Descriptive statistics of Compensation

Dimensions/Statements	Mean	Standard Deviation (SD)	Level
My current salary is commensurate with my current position.	2.85	1.172	Medium
My salary fairly reflects the effort and responsibilities required in my job.	2.78	1.153	Medium
My salary is considered fair compared to the salaries of employees working at the same bank and in the same job level.	2.96	1.207	Medium
My salary is considered fair compared to the salaries of employees in other banks who do similar work.	2.88	1.175	Medium
My salary is improving significantly, commensurate with my achievements.	2.71	1.155	Medium
The salary is improving well and is in line with the market.	2.64	1.154	Medium
My salary is sufficient for my needs and lifestyle requirements.	2.48	1.191	Low
Salary is important and considered a significant part of the financial returns offered by my bank.	3.84	1.078	High
Salary	2.89	1.16	Medium
My bank's bonus system is fair and transparent.	3.00	1.218	Medium
The bonus system fairly reflects my effort and performance at work.	2.93	1.239	Medium

bonus is distributed fairly and consistently among employees at the same job level.	2.93	1.225	Medium
Information regarding bonuses is explained to me clearly and easily.	3.12	1.205	Medium
Bonus decisions are made independently and without any unfair influence from others.	3.01	1.127	Medium
Bonus decisions are reviewed and evaluated appropriately and regularly within the bank.	3.15	1.157	Medium
Bonus	3.02	1.20	Medium
Regular training programs are implemented to enhance employees' technical and professional skills.	3.47	1.165	High
The bank provides training opportunities that prepare employees for future roles or promotions.	3.39	1.140	Medium
The bank's training programs are aligned with employees' actual job needs.	3.46	1.148	High
The training programs offered are relevant and useful to employees' daily job activities.	3.47	1.130	High
Management encourages and supports employee participation in training and development programs.	3.54	1.127	High
Employees receive mentoring or guidance from experienced staff as part of training initiatives.	3.47	1.142	High
I can object to or challenge the outcomes resulting from those procedures.	3.20	1.137	Medium
Training	3.43	1.14	Medium
Total average of Compensation	3.11	1.16	Medium

Table 4.3, The Perceived Justice scale had an overall mean of 3.36 and SD= 1.13, indicating moderately positive perceptions of justice among respondents. Interactional justice had the highest mean (M = 3.55, SD = 1.12), suggesting that employees perceive their treatment as fair. Procedural justice followed with a mean of 3.34 and SD= 1.11. Distributive justice showed a lower mean (M = 3.20, SD = 1.15), indicating weaker perceptions of fairness regarding outcomes such as salary and bonus with all distributive items are rated at a medium level.

Table (4.3) Descriptive statistics of Perceived Equity

Dimensions/Statements	Mean	Standard Deviation (SD)	Level
The results I achieve reflect the effort I put into my work.	3.10	1.150	Medium
The results I achieve are commensurate with the work I have accomplished.	3.12	1.165	Medium
Goals and assignments are set fairly.	3.22	1.171	Medium
The necessary resources are provided fairly.	3.37	1.102	Medium
Distributive justice	3.20	1.15	Medium
I can express my opinions and feelings during the bank's procedures.	3.19	1.161	Medium
Administrative procedures are applied consistently and regularly at the bank.	3.39	1.064	Medium
The bank's administrative procedures are impartial.	3.26	1.114	Medium
The bank's administrative procedures are based on accurate and reliable information.	3.50	1.091	High
Procedural justice	3.34	1.11	Medium
I receive respectful and dignified treatment.	3.58	1.136	High

There is no personal element in my interactions.	3.35	1.129	Medium
My supervisor refrains from making inappropriate or offensive comments.	3.64	1.104	High
My supervisor explains procedures clearly and understandably.	3.64	1.097	High
My supervisor provides me with timely information.	3.56	1.144	High
Interactional Justice	3.55	1.12	High
Total average of Perceived Equity	3.36	1.13	Medium

Descriptive analytics on employee retention among employees of the Palestinian banking sector are illustrated in Table 4.4. Employee retention has an overall mean of 3.43 (SD = 1.19) which indicates a moderate tendency among employees to remain with their organizations. The highest mean score (M = 3.72) at the high level was recorded on the statement. “The work I do is very important to me,” showing that respondents had a strong attachment to the work they performed. On the other hand, “I see a promising career with this bank” had the least mean score (M = 3.28) at the medium level which shows that respondents had weaker perception towards career advancement within the bank compared to the other statements.

Table (4.4) Descriptive statistics of Employee Retention

Number	Statements	Mean	Standard Deviation (SD)	Level
1	The bank's practices and policies foster employee loyalty.	3.31	1.185	Medium
2	If I were to change jobs, I would first look for opportunities within this bank.	3.33	1.174	Medium

3	I see a promising career with this bank.	3.28	1.172	Medium
4	I intend to continue working at this bank for the next five years.	3.30	1.181	Medium
5	The work I do is very important to me.	3.72	1.121	High
6	I enjoy working at this bank.	3.57	1.226	High
7	I would recommend this bank to my friends and other job seekers.	3.51	1.282	High
Total average of Employee Retention		3.43	1.19	Medium

Table 4.5 summarizes the descriptive statistics for the central study variables, which include compensation, perceived equity, and employee retention. This table provides the number of dimensions for each construct, along with the mean and standard deviation for each.

Table (4.5) Summary of Descriptive Statistics for the Main Study Variables

	Construct / Dimension	N of codes Items	Item	Mean	Standard Deviation (SD)
Compensation (COMP)	Salary	8	SAL1 -SAL8	2.89	1.16
	Bonus	6	BON1 -BON6	3.02	.120
	Training	7	TRN1 -TRN7	.343	1.14

Compensation				3.11	1.16
Perceived Equity (EQU)	Distributive Justice	4	DJ1-DJ4	3.20	1.15
	Procedural Justice	4	PJ1-PJ4	3.34	1.11
	Interactional Justice	5	IJ1-IJ5	3.55	1.12
Perceived Equity				3.36	1.13
Employee Retention (RET)	Employee Retention	7	RET1-RET7	3.43	1.19

4.3 Measurement Model Assessment (Stage 1)

Prior to hypothesis testing, the measurement model was evaluated in Stage 1 in terms of reliability, convergent validity, discriminant validity, and internal consistency for all dimensions as reflective constructs, which include salary, Bonus, and training (as dimensions of compensation); distributive justice, procedural justice, and interactional justice (as dimensions of perceived fairness); and employee retention. (Hair et al., 2020; Hair et al., 2012).

4.3.1 Indicator Loadings

The reliability of the indicators was initially assessed through the external (standard) loading coefficients of each item on the intended underlying structure. The results showed loading coefficients higher than the acceptable threshold of **0.70** for ensuring reliability (Hair et al., 2020).

The results showed that the loading coefficients for Bonus items ranged from **0.887 to 0.853**, and for Distributive Justice items from **0.911 to 0.803**. Meanwhile, the loading coefficients for Interactional Justice items ranged from **0.890 to 0.789**, and for Procedural Justice items from **0.888 to 0.828**. The Employee Retention items showed loading coefficients between (**0.866-0.759**), reflecting the concept of employee retention well. The Training items showed loading coefficients between (**0.931-0.861**), while the Salary items SAL1-SAL7 had loadings within the range of (**0.876-0.803**). However, item SAL8 showed a low loading coefficient (**0.442**), which is below the acceptable limit. This showed its weak consistency with the rest of the Salary items. Despite this, it was retained in the final model to maintain content validity, as its exclusion did not affect the reliability or convergent validity indicators at the salary dimension level (Hair et al., 2014). With regard to the remaining indicators, all were retained. (See Table 4.6).

Table (4.6) Summary of Indicator Loadings for Stage 1 Constructs

Construct	Indicator	Loading	Decision
Salary	SAL1	0.803	Retained
Salary	SAL7	0.876	Retained
Salary	SAL8	0.442	Retained
Bonus	BON1	0.853	Retained
Bonus	BON6	0.887	Retained
Training	TRN1	0.861	Retained
Training	TRN6	0.931	Retained
Distributive Justice	DJ1	0.803	Retained
Distributive Justice	DJ4	0.911	Retained
Procedural Justice	PJ1	0.828	Retained
Procedural Justice	PJ4	0.888	Retained
Interactional Justice	IJ1	0.789	Retained
Interactional Justice	IJ5	0.890	Retained
Employee Retention	RET1	0.759	Retained
Employee Retention	RET7	0.866	Retained

4.3.2 Internal Consistency Reliability

Cronbach's alpha coefficient showed that all values exceeded the acceptable minimum of **0.70**, indicated a good level of internal consistency among the items in each dimension. The composite reliability coefficient (CR), which provides a more accurate estimate of the consistency of the underlying structural equations in PLS modeling, was also used. The results showed that all composite reliability coefficients exceeded **0.70**, confirming the quality and reliability of the measurement (Aburumman et al., 2022).

The dimensions of compensation showed high reliability (salary: $\alpha = \mathbf{0.913}$, CR = **0.932**, both greater than 0.90 even with the inclusion of the SAL8 item; bonus: $\alpha = \mathbf{0.936}$, CR = **0.949**; training: $\alpha = \mathbf{0.950}$, CR = **0.960**) and the dimensions of perceived justice also showed high reliability (distributive justice: $\alpha = \mathbf{0.891}$, CR = **0.925**; procedural justice: $\alpha = \mathbf{0.880}$, CR = **0.918**; interactional justice: $\alpha = \mathbf{0.902}$, CR = **0.928**). Employee retention showed strong internal consistency ($\alpha = \mathbf{0.927}$, CR = **0.942**) across the seven indicators. These results indicate that the questionnaire items used to measure each structure are highly consistent with one another and suitable for subsequent analysis.

The training dimension achieved high composite reliability. According to PLS-SEM guidelines, values exceeding **0.95** reflect the potential for item redundancy, which could affect construct validity. These values serve as a "check signal" to review the content of the items instead of automatically deleting them (Hair et al., 2020; Hair et al., 2021).

The content of the training items was reviewed and retained because each item covers a different aspect of employee development (training regularity, preparation for future tasks/promotions, alignment of training with job needs, effectiveness in daily work, management support for participation, and mentoring/coaching). This confirmed the content validity and allowed for the dimension's retention (Hair et al., 2021).

Table (4.7) Internal Consistency Reliability (Stage 1)

Construct	Cronbach's Alpha (α)	Composite reliability (ρ_c)
Salary	0.913	0.932
Bonus	0.936	0.949
Training	0.950	0.960
Distributive Justice (DJ)	0.891	0.925
Procedural Justice (PJ)	0.880	0.918
Interactional Justice (IJ)	0.902	0.928
Employee Retention (RET)	0.927	0.942

4.3.3 Convergent Validity

Convergent validity was assessed by the average extracted variance (AVE). In partial least squares structural equation modeling (PLS-SEM), an AVE of **0.50** or higher indicates that the structure explained at least half of its indices' variance and confirmed convergent validity (Fornell & Larcker, 1981; Hair et al., 2019).

As shown in Table **4.8**, all reflective constructs achieved AVE values above **0.50**, Training achieved good convergence (**0.802**) and salary (**0.637**) was above the minimum and included the low-load indicator (SAL8) and Bonus (**0.757**), distributive justice (**0.755**), procedural justice (**0.736**), Interactional Justice (**0.720**), and employee retention (**0.698**). The results meet the Fornell and Larcker (1981) convergent validity criterion.

Table (4.8) Convergent Validity (AVE) – Stage 1

Construct	Average Variance Extracted
Salary	0.637
Bonus	0.757
Training	0.802

Distributive Justice (DJ)	0.755
Procedural Justice (PJ)	0.736
Interactional Justice (IJ)	0.720
Employee Retention (RET)	0.698

Convergent validity: AVE \geq **0.50** (Hair et al., 2021)

4.3.4 Discriminant Validity

Discriminant validity was verified to ensure the distinctiveness of each latent variable in the model using the Heterotrait–Monotrait ratio (HTMT). Recent research indicates that this is a more accurate test of discriminant validity and a stricter criterion for distinguishing reflective constructs, with suggested thresholds of < 0.85 (stricter) or < 0.90 (more lenient), which depended on the conceptual similarity between the constructs (Henseler et al., 2015). It was verified to ensure the distinctiveness of each latent variable in the model using the Heterotrait–Monotrait ratio (HTMT). The results showed that most of the calculated HTMT values were below the least stringent threshold of **0.90**. The HTMT value between salary and employee retention was **0.672**, and between Bonus and employee retention was **0.771**. The three justice dimensions showed moderate to strong associations because they are sub-dimensions with conceptual coherent with organizational justice. The HTMT value between procedural justice and distributive justice was **0.930**, and between procedural justice and interactional justice was **0.920**, both exceeded **0.90**. In the context of HTMT, some researchers allow a threshold of up to **0.95** for conceptually similar constructs (Henseler et al., 2015).

The square root of AVE exceeds inter-construct correlations in all cases (Fornell & Larcker criterion), supported the validity of the distinction. Except for the correlation between the three types of perceived justice, which was treated by modeling them as a second-order factor in the second stage, the constructs meet the discriminatory validity requirements. Therefore, the HTMT analysis indicates that each dimension shares greater variance with its own indices compared to other constructs.

Table (4.9) Discriminant validity check Using Latent Variables Correlations

Dimen sion	Bo nus	D J	IJ	P J	R ET	Sal ary	Trai ning
Bonus	0.870						
DJ	0.7 72	0. 869					
IJ	0.6 48	0. 729	0. 848				
PJ	0.7 48	0. 822	0. 821	0. 858			
RET	0.7 21	0. 767	0. 783	0. 843	0. 835		
Salary	0.7 85	0. 700	0. 562	0. 620	0. 621	0.79 8	
Traini ng	0.6 91	0. 721	0. 765	0. 754	0. 767	0.57 3	0.896

Heterotrait-Monotrait (HTMT) Ratio of Correlation

Table (4.10) Heterotrait-Monotrait Ratio of Correlations (HTMT)

Dimensio n	Bonu s	DJ	IJ	PJ	RE T	Salar y
DJ	0.845					
IJ	0.705	0.81 3				
PJ	0.824	0.93 0	0.92 0			
RET	0.771	0.84 3	0.85 5	0.93 2		

Salary	0.851	2	0.77	0	0.62	0	0.69	2	0.67
Training	0.733	5	0.78	6	0.82	2	0.82	5	0.81
									0.619

4.4 Higher-Order Construct Validation (Stage 2)

As in the methodology section, compensation and perceived equity were modeled as two higher-order (second-order) structures composed of the first-order dimensions assessed in Stage 1. The two-stage discrete methodology (Becker et al., 2012) was adopted for handling hierarchical component models.

In Stage 1, the lower-order components (salary, bonus, training, distributive justice, procedural justice, and interactional justice) were estimated and validated. In Stage 2, compensation was measured using salary, bonus, and training scores, while perceived equity was measured using distributive, procedural, and interactional justice scores. Employee retention remained a reflective first-order structure, measured using its original indices to reduce model complexity and evaluate higher-order structures within a simplified structural model. The relationships between higher-order structures and their dimensions were assessed as part of the measurement model, and then the structural relationships (compensation → equity → retention, and compensation → retention) were evaluated (Ringle et al., 2024; Sarstedt et al., 2019).

The results of the stage 2 showed good reliability and internal consistency, with compensation ($\alpha = 0.866$; CR = 0.918) and convergence validity (AVE = 0.789) and perceived equity ($\alpha = 0.919$; CR = 0.949) and convergence validity (AVE = 0.861) indicating that the two second-order structures explained a large proportion of the variance in their dimensions. The first-order dimensions showed strong and statistically significant outer Loadings on their higher-order structures (compensation: training = 0.864, salary = 0.870, bonus = 0.929; perceived equity: outer loadings = 0.91–0.95; all p-values = (0.000), these results confirm the validity of the discrete two-stage hierarchical model (Hair et al., 2021).

4.5 Structural Model Assessment

The structural model incorporates three latent second-order variables: Compensation as the second-order independent variable, Perceived Equity as the second-order mediating variable, and Employee Retention as the first-order latent dependent variable, measured by seven indicators. Figure 3.1 (conceptual model diagram) illustrates the hypothetical pathways: COMP → RET (H1), COMP → EQU (H2), EQU → RET (H3), and the indirect pathway COMP → EQU → RET (H4).

4.5.1 Collinearity Assessment (VIF)

The multicollinearity between the predictive variables in the model was examined before the causal relationships were analyzed to ensure the independence of each variable's effect. The Variance Inflation Factor (VIF) was calculated for each relationship in the structural model using SmartPLS software. The results showed that the VIF values for the two predictive variables of RET (COMP & EQU) and for the dimensions comprising the second-order variables were less than 5.0, The results indicated that no multicollinearity issues affected the regression estimates (Hair et al., 2014).

Table (4.11) Inner Model Collinearity Statistics (VIF) – Stage 2

Path	Inner VIF
COMP → EQU	1.00
COMP → RET	3.681
EQU → RET	3.681

4.5.2 Path Coefficients (R^2)

To assess the explanatory power of the structural model for the dependent variable, the coefficient of determination (R^2) is used. This represents the proportion of the variance in the dependent variable that the model explains through its independent variables. The closer the R^2 value is to 1, the more it explains. An R^2 value of 0.754 indicates that compensation and perceived fairness explain 75.4% of the variance in employee retention. The unexplained portion is attributed to factors not included in the model. The R^2 value exceeded the "mean" value of 0.33 according to traditional behavioral research standards (Chin et al., 1998; Hair et al., 2012). The mediating variable, perceived fairness, showed an R^2 value of 0.728, meaning that the compensation component (salary, bonus, training) explains 72.8% of the variance in employees' perceptions of fairness.

The predictive suitability of the model was assessed using Stone-Geisser's Q^2 with the results hidden for the employee retention variable, and the Q^2 value was above zero, which enhances the model's ability to predict employee retention outside the sample (Ringle et al., 2024).

Table (4.12) Results of coefficient of determination R^2 analysis

Dimensions	Coefficient of determination R^2
Perceived Equity	0.72
Employee Retention	0.75

4.5.3 Effect Sizes (f^2)

The f^2 coefficient used to calculate the effect size for each direct relationship in the model measures the relative influence of the independent variable on the dependent variable. f^2 represents the change in R^2 when the independent variable is removed from the model. An

f^2 value of 0.02 indicates a small effect, 0.15 an average effect, and 0.35 or more an average effect, according to Chen (1998).

The effect size analysis (f^2) shows that compensation has a very large effect on perceived fairness and that perceived fairness has a large effect on employee retention ($f^2 = 0.50$), while the direct effect of compensation on retention was moderate ($f^2 = 0.06$). The results indicate that the effect of compensation on retention is indirect, mediated through perceived fairness, thus supporting strong mediation.

4.5.4 Model Fit

PLS-SEM is a predictive methodology, and for the sake of comprehensiveness, an index of model fit was examined, where the value of the standard root mean residuals (SRMR) of the model was 0.053, less than the lower limit of 0.08, meaning that the predicted correlation matrix of the model was close to the experimental correlation matrix. Given the high R^2 value and the statistically significant paths, the theoretical model agrees well with the studied data.

The hypotheses of the direct study were tested by analyzing the path coefficients within the structural equation model using the values β , t-value, and p-value. The results showed that all three hypotheses were positive and statistically significant.

As shown in Table 4.7, the standardized beta (β) coefficients, t-values, and p-values, along with the hypothesis conclusions, demonstrate that compensation has a statistically significant positive effect on employee retention ($\beta = 0.231$, $t = 3.60$, $p < 0.001$), supporting hypothesis H1 that compensation increases employee retention. Compensation also shows a positive effect on perceived fairness ($\beta = 0.853$, $t = 48.46$, $p < 0.001$), supporting hypothesis H2 that compensation increases the sense of fairness, and a positive effect of the sense of fairness on employee retention ($\beta = 0.663$, $t = 10.30$, $p < 0.001$), supporting hypothesis H3 that the sense of fairness increases employee retention. This finding aligns with the fairness

theory (Adams's theory), which posits that when employees perceive outcomes and procedures as fair, they are more satisfied and less likely to leave (Colquitt et al., 2001).

Table (4.13) Structural Model Path Coefficients & Significance (Stage 2)

Hypothesis	Path (Direct Effect)	β	t-value	p-value	Decision
H1	Compensation → Retention	0.231	3.602	< 0.001	Accepted
H2	Compensation → Perceived Equity	0.853	48.461	< 0.001	Accepted
H3	Perceived Equity → Retention	0.663	10.299	< 0.001	Accepted

Note: The 95% confidence intervals calculated using the Bootstrap method for each path did not overlap with zero, which confirms the statistical significance.

4.6 Hypothesis Testing

- ❖ **H1: There is a significant impact of compensation dimensions (salary, bonus, training) on employee retention.**

To test the above hypothesis, the path coefficient results are calculated and presented in Table 4.11

Table (4.14) Path coefficient result shows the impact of compensation dimensions on employee retention

Hypothesis	Relations	Original sample (O)	Sample mean (M)	Std deviation	t-value	P values
H1	Compensation → Retention	0.231	0.230	0.064	3.602	0.000**

The hypothesis can be accepted since the p-value ($p = 0.000$) is less than 0.05 and the t-statistic ($t = 3.602$) is greater than the critical value of 1.96. It can, therefore, be said that compensation, with a path coefficient of 0.231, has a positive and a strong/sufficient impact on employee retention within the banking sector of Palestine. This means that greater compensation will result in improved employee retention.

❖ **H2: There is a significant impact of compensation on perceived equity (distributive, procedural, interactional equity).**

To test the above hypothesis, the path coefficient results are calculated and presented in Table 4.12

Table (4.15) Path coefficient result shows the impact of compensation dimensions on perceived equity

Hypothesis	Relations	Original sample (O)	Sample mean (M)	Std deviation	t-value	P values
H2	Compensation → perceived equity	0.853	0.854	0.018	48.461	0.000**

Considering the p-value ($p = 0.000$), which is under 0.05, and the t-statistic value ($t = 48.461$), which is above the critical value of 1.96, the hypothesis is accepted. This means that, within the Palestinian banking sector, compensation positively and statistically significantly impacts perceived equity, with a positive path coefficient of 0.853. This means that changes for the better in compensation practices positively influence equity perception among employees.

❖ **H3: There is a significant impact of perceived equity (distributive, procedural, interactional) on employee retention.**

To test the above hypothesis, the path coefficient results are calculated and presented in Table 4.13

Table (4.16) Path coefficient result shows the impact of Perceived equity dimensions on employee retention.

Hypothesis	Relations	Original sample (O)	Sample mean (M)	Std deviation	t-value	P values
H3	Perceived equity →employee retention	0.663	0.664	0.064	10.299	0.000**

The p-value ($p = 0.000$) which is less than 0.05, and the t-statistic ($t = 10.299$) is greater than the critical 1.96, so the hypothesis is accepted. This shows that, in the Palestinian banking sector, perceived equity does have a significant positive effect on employee retention, the path coefficient being 0.663. This means that increased perceived equity will lead to greater retention of employees.

❖ **H4: Perceived equity mediates the relationship between compensation and employee retention.**

To test the above hypothesis, the path coefficient results are calculated and presented in Table 4.14

Table (4.17) Path coefficient result shows the impact of compensation on employee retention via perceived fairness

Hypothesis	Relations	Original sample (O)	Sample mean (M)	Std deviation	t-value	P values
H4	Compensation → Perceived equity → employee retention	0.565	0.567	0.057	9.859	0.000**

Considering p-value ($p = 0.000$), which is less than 0.05, and t-statistic value ($t = 9.859$) which is greater than critical value 1.96, the mediation hypothesis is accepted. Hence, perceived equity positively and significantly mediates the relation between compensation and employee retention within Palestinian banking, with positive indirect path coefficient of 0.565. This means that compensation improves employee retention by increasing employees' perception of equity.

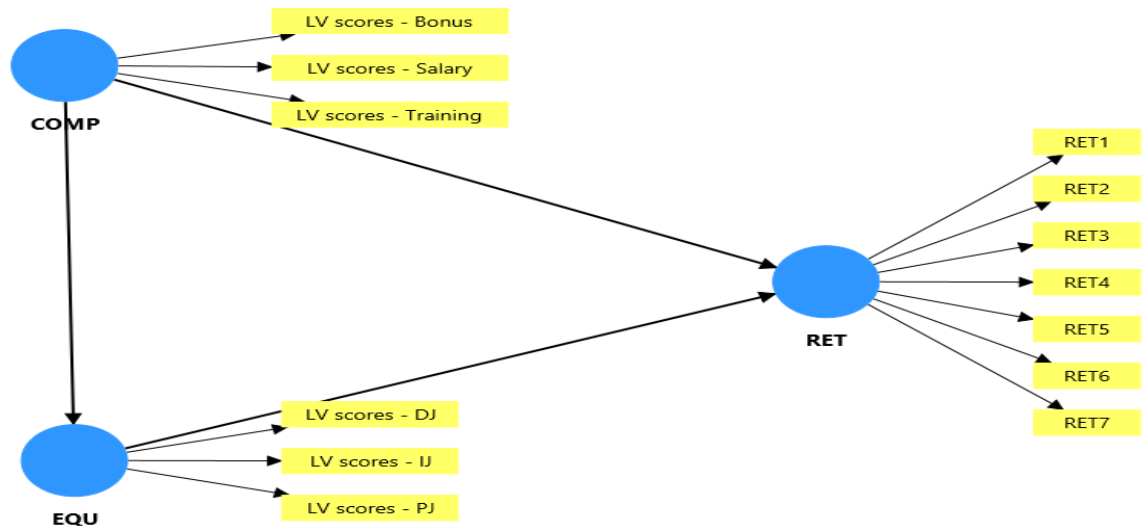


Figure (4.1) Model fit estimation using the bootstrapping procedure.

- ❖ **H5: There are significant differences among employees' perceptions of equity and their responses to compensation and retention in the Palestinian banking sector according to demographic factors (such as gender, age, educational level, financial status, and job position).**

To test the above hypothesis, a demographic analysis was conducted to compare the averages. The independent samples t-test was used to study differences based on gender, and one-way analysis of variance (ANOVA) was applied to test differences in means based on age group, educational qualification, years of experience, and job title.

- ❖ **H5.1: There are significant differences among employees' perceptions of equity and their responses to compensation and retention in the Palestinian banking sector according to as gender.**

Table (4.18) Results of the independent samples t-test according to the gender variable

	Gender	Mean	Std. Deviation	F	Sig	T	Df	Sig (2-tailed)
Compensation	Male	3.1982	.84796	.395	.530	2.194	295	.029
	Female	2.9722	.89928					
Equity	Male	3.4624	.88708	.092	.762	2.011	295	.045
	Female	3.2503	.89233					
Employee Retention	Male	3.5523	.94487	4.455	.036	2.517	295	.013
	Female	3.2518	1.04573					

The results of the (t) test for two independent samples indicate that there are statistically significant differences between the average responses of males and females in all dimensions of the study. The results showed statistically significant differences in the compensation dimension in favor of males, as the arithmetic mean for males was (M = 3.1982) compared

to females ($M = 2.9722$), and the statistical significance value was ($\text{Sig.} = 0.029$) at the level of ($\alpha \leq 0.05$)

The results also showed statistically significant differences in the equity dimension, again favoring males, with a mean score of 3.4624 compared to 3.2503 for females. The significance level was 0.045.

The results also showed statistically significant differences in the employee retention dimension in favor of males, as the arithmetic mean for males was ($M = 3.5523$) compared to females ($M = 3.2518$), and the statistical significance value was ($\text{Sig.} = 0.013$).

Based on the results shown in the table above, the null hypothesis is rejected, and the alternative hypothesis is accepted, which states that there are statistically significant differences in the study dimensions (compensation, equity, employee retention) attributable to the gender variable because the significance level values are less than 0.05.

- ❖ **H5.2: There are significant differences among employees' perceptions of equity and their responses to compensation and retention in the Palestinian banking sector according to as age groups.**

Table (4.19) One-Way ANOVA results for Study topics by Age groups

		ANOVA				
		Sum of Squares	df	Mean Square	F	Sig.
Compensation	Between Groups	5.202	3	1.734	2.298	.078
	Within Groups	221.037	293	.754		
	Total	226.239	296			
Equity	Between Groups	7.276	3	2.425	3.101	.027

	Within Groups	229.155	293	.782		
	Total	236.431	296			
Employee Retention	Between Groups	14.650	3	4.883	5.135	.002
	Within Groups	278.630	293	.951		
	Total	293.280	296			

In the table above, a one-way ANOVA was performed for the age group variable, and the results of the analysis of according to age group showed that there were statistically insignificant differences between the groups with respect to compensation, where the significance level reached (Sig. = 0.078), which is greater than the adopted significance level (0.05). As for equity and employee retention, the differences between the groups were statistically significant (Sig. = 0.027, Sig. = 0.002) respectively because the significance level values were less than 0.05.

For hypothesis H5.2, the null hypothesis was accepted for the compensation axis, while age significantly affects equity and employee retention, and therefore the null hypothesis was rejected and the alternative hypothesis was accepted for these two variables.

H5.3: There are significant differences among employees' perceptions of equity and their responses to compensation and retention in the Palestinian banking sector according to as Academic qualification.

Table (4.20) One-Way ANOVA results for Study topics by Academic qualification

		ANOVA				
		Sum of Squares	df	Mean Square	F	Sig.
Compensation	Between Groups	8.387	3	2.796	3.760	.011

	Within Groups	217.852	293	.744		
	Total	226.239	296			
Equity	Between Groups	9.224	3	3.075	3.965	.009
	Within Groups	227.207	293	.775		
	Total	236.431	296			
Employee Retention	Between Groups	6.452	3	2.151	2.197	.089
	Within Groups	286.828	293	.979		
	Total	293.280	296			

The educational qualification variable was subjected to a one-way analysis of variance (ANOVA) in the above table, and the results reflect the presence of statistically significant differences among the groups in both compensations (Sig. = 0.011), and shares (Sig. = 0.009). This is so, as the significance value is less than the established significance level of 0.05, thus showing the impact of educational qualifications in these two domains. Concerning employee retention, the results indicate no statistically significant disparity (Sig = 0.089) as the results with variance being greater than 0.05, indicate that in this case, educational qualification(s) do not impact the employee's willingness to stay in the organization.

Regarding hypothesis H5.3, it was found that academic qualification significantly affects compensation and equity, and therefore the null hypothesis for these two variables was rejected, while no significant effect was found on employee retention, leading to the acceptance of the null hypothesis for this variable.

H5.4: There are significant differences among employees' perceptions of equity and their responses to compensation and retention in the Palestinian banking sector according to as Years of experience.

Table (4.21) One-Way ANOVA results for Study topics by Years of experience

		ANOVA				
		Sum of Squares	df	Mean Square	F	Sig.
Compensation	Between Groups	6.189	3	2.063	2.747	.043
	Within Groups	220.050	293	.751		
	Total	226.239	296			
Equity	Between Groups	6.814	3	2.271	2.898	.035
	Within Groups	229.617	293	.784		
	Total	236.431	296			
Employee Retention	Between Groups	12.822	3	4.274	4.465	.004
	Within Groups	280.458	293	.957		
	Total	293.280	296			

The results above show a one-way ANOVA based on years of experience. For compensation (Sig. = 0.043), equity (Sig. = 0.035), and employee retention (Sig. = 0.004), statistically significant differences exist between the groups. These findings show the level of experience relates with employee perceptions of compensation and equity and the extent

to which they want to stay with the company. Thus, in all three variables, years of experience is a considerable factor.

Concerning hypothesis H5.4, the results have shown that the analysis of variance (ANOVA) indicates that years of experience have an impact on compensation, equity, and employee retention, as the degree of significance is less than 0.05 across the variables. Consequently, the null hypothesis was rejected. This means that the level of experience is an important factor in the way employees perceive the organization in terms of compensation, equity, and their intent to stay.

H5.4: There are significant differences among employees' perceptions of equity and their responses to compensation and retention in the Palestinian banking sector according to as job title.

Table (4.22) One-Way ANOVA results for Study topics by job title

		ANOVA				
		Sum of Squares	df	Mean Square	F	Sig.
Compensation	Between Groups	19.422	3	6.474	9.172	.000
	Within Groups	206.817	293	.706		
	Total	226.239	296			
Equity	Between Groups	20.175	3	6.725	9.112	.000
	Within Groups	216.256	293	.738		
	Total	236.431	296			

Employee Retention	Between Groups	31.596	3	10.532	11.792	.000
	Within Groups	261.684	293	.893		
	Total	293.280	296			

The one-way ANOVA results regarding job title factor show that there are statistically significant differences between the groups concerning each of the three variables. For the compensation axis, the significance level (Sig.= 0.000) which is less than 0.05 indicates that there is a statistically significant difference between the groups and hence the null hypothesis is rejected.

The same goes for the equity axis, the significance level (Sig= 0.000) and since Sig. < 0.05, there is a statistically significant difference between the job title groups so the null hypothesis is rejected.

Lastly, concerning employee retention, the significance level (Sig. = 0.000) is less than 0.05 so there is a statistically significant difference between the groups and hence the null hypothesis is rejected. It can be concluded that job ranks do make a difference in compensation, fairness, and employee retention since all the significance values are less than 0.05 which shows that there are substantial differences among the groups based on job ranks. Based on this, the null hypothesis for all variables was rejected, and it is concluded that there is a significant effect of job title on compensation, equity, and employee retention.

4.7 Mediation Analysis

Mediation analysis showed that perceived equity partially mediates between compensation and employee retention; that is, compensation indirectly affects employee retention through perceived fairness ($\beta = 0.565$, 95% CI (0.454, 0.680), $t = 9.859$, $p < 0.001$). The direct effect of compensation on retention remained, but with less intensity, when the

mediating variable was included ($\beta = 0.231, p < 0.001$). The overall effect of compensation on retention remained high ($\beta = 0.797, p < 0.001$), all of which were statistically significant.

According to the classification of Nitzl et al. (2016), the results indicate a partial mediation of an integrated direct and indirect effect that is significant and moves in the same direction. The indirect effect through perceived equity amounted to 70.9% of the total effect. Hence, the mediating role of perceived fairness between compensation and employee retention is highlighted, while the role of the direct effect remains limited. These results are consistent with Equity Theory (Shinde, 2025), which confirms that employees' feeling of fairness in compensation increases their desire to stay, and are consistent with Social Exchange Theory, which assumes that fair treatment and fair compensation enhance employee commitment to the organization.

4.8 Summary of Results

The results of the measurement model confirmed the reliability of all constructs. Cronbach's alpha and construct reliability were both above the acceptable minimum of 0.70, confirming internal consistency. Convergent validity was demonstrated by extracted mean variance (AVE) values exceeding 0.50 and loading coefficients. Discriminant validity was confirmed using the Furnell-Larker and HTMT criteria. The second-order factors of compensation and perceived equity were validated. Both constructs achieved the highest levels of reliability ($CR > 0.90$) and convergent validity ($AVE > 0.50$). The structural model was then developed.

The results showed that all three hypotheses were positive and statistically significant, as tested by path coefficient analysis within the structural equation model using β , t , and p values. H1 showed that compensation had a significant positive effect on employee retention ($\beta = 0.231, p < 0.001$). H2 showed that compensation had a strong positive effect on perceived equity ($\beta = 0.853, p < 0.001$). H3 showed that perceived fairness had a significant positive effect on employee retention ($\beta = 0.663, p < 0.001$). Compensation and perceived

equity together explain 71% of the variance in employee retention, highlighting the importance of these two variables.

As for the mediation hypothesis 4, the analysis confirmed the importance of mediation for perceived equity in the indirect and statistically significant impact of compensation on employee retention ($\beta_{\text{indirect}} = 0.565$, $p < 0.001$). The direct impact of compensation on employee retention was also statistically significant ($\beta_{\text{direct}} = 0.231$), but the latter was smaller ($\beta_{\text{direct}} = 0.231$). This means that both the direct and indirect effects are statistically significant and in the same (positive) direction, thus confirming partial complementary mediation.

Finally, the results of Chapter 4 confirm the validity of the theoretical model. Compensation contributes to employee retention through employees' perception of equity. Therefore, organizations that reward their employees fairly have the highest employee retention rates, while inadequate or unfair compensation leads to decreased employee retention.

Table (4.23) Summary of hypotheses testing results

Hypothesis	Statement	Result
H1	There is a significant impact of compensation dimensions (salary, bonuses, and training & development) on employee retention in the Palestinian banks.	Supported
H2	There is a significant impact of compensation dimensions on perceived equity (distributive, procedural, and interactional equity) in the Palestinian banks.	Supported
H3	There is a significant impact of perceived equity dimensions on employee retention in the Palestinian banks.	Supported

H4	Perceived equity (distributive, procedural, and interactional) mediates the relationship between compensation and employee retention in the Palestinian banks.	Partial Supported
H5	There are significant differences among employees' perceptions of equity and their responses to compensation and retention in the Palestinian banking sector according to demographic factors (such as gender, age, educational level, material status, and job position).	Partial Supported

Chapter Five: Discussion and Conclusion

5.1 Introduction

This chapter attempts to discuss and interpret the results of the research in relation to the research objectives, hypotheses, the relevant theory and empirical literature in chapter two. The focus of the analysis here is what the results in chapter four mean in relation to the variables of compensation, perceived equity, and employee retention; specifically, in the Palestinian banking context.

In addition, this chapter outlines the findings between the current theories of compensation, equity, and employee retention, and their practical implications to the management of banks and to policymakers. Given the nature of the distinctive economic, political, and organizational challenges in Palestine, the discussion focuses on how the context is able to shape the perceptions and behaviors of employees.

This chapter considers the key contributions of the research, the major challenges of the study, the practical recommendations resulting from the findings, and directions for subsequent studies. This study attempts to demonstrate its contribution to the academic and practitioner communities on the importance of the relationship between employee retention and equitable compensation.

5.2 Discussion of Results

The purpose of this study was to examine the impact of compensation on employee retention and the mediating influence of perceived equity in this relationship within the banking sector of Palestine. This chapter seeks to advance the empirical findings of chapter four in relation to the research questions and hypotheses, the relevant theories, and the previously cited empirical studies in chapter two. In this regard, the study seeks to empirically

demonstrate the extent to which employee perceptions of compensation and equity influence retention within very restrictive economic and institutional setting.

5.2.1 The Effect of Compensation on Employee Retention

The findings of this study indicated that compensation positively and significantly impacts employee retention ($\beta = 0.231$, $p < 0.001$). This means that in the Palestinian banking sector, retention of employees can be achieved by modifying compensation policies and practices. Employees are likely to stay with an organization for a long time if they perceive that their salaries and compensation packages are equitable and commensurate to their contribution.

This shows that employees tend to establish deeper emotional ties with an organization when they feel that their efforts are being acknowledged and their wages are being adjusted equitably. Employees are unlikely to leave when they feel that appreciation is reflected in their salary. This is more significant for seasoned and skilled individuals in reputable fields, such as banking, where being rewarded accordingly for one's efforts is critical.

The mentioned finding corroborates with the theories mentioned in Chapter Two, particularly the Equity Theory, where employees evaluate their relationship with the organization by balancing between what they put in the job (their inputs) and what they get in return (their outcomes) (Adams, 1963; Adams, 1965). As noted before, the perception of the employees towards their salary is one of the strongest determinants of their level of satisfaction and, ultimately, their decision to stay or leave the organization. Employees with equitable compensation in comparison to others are likely to have better retention. On the contrary, if employees feel that their compensation is inadequate, they are likely to lose their motivation, disengage from work, and leave the organization.

The findings support previous studies highlighting the influence of salary, bonuses, and training on employee retention. According to other research, reasonable and competitive

pay increase employee satisfaction and decrease attrition (Engdaw & Kebede, 2024; Jamadar & Choudhary, 2025). Employees are financially secure and feel the organization is fair and values their input.

Furthermore, the enhancement of retention is due, in part, to the extra training offered, as gaining the ability to acquire new skill(s) demonstrates the commitment of both the employee and the organization, even in times of economic uncertainty (Karim et al., 2019; Shiri et al., 2023). For Palestinian banks operating in economic uncertainty and competing for trained personnel, employee retention is crucial, and compensation systems that incorporate continual steady income and career advancement become imperative.

5.2.2 The Effect of Compensation on Perceived Equity

The findings indicate that perceived equity has a strong and significant relationship to compensation ($\beta = 0.853$, $p < 0.001$) and that structuring and administering compensation affects how employees perceive fairness. Fairness, in this case, refers to whether employees perceive the outcomes, process, and treatment to be fair, respectful, and transparent.

This result aligns with the Equity Theory (Adams, 1963; Adams, 1965), which describes how employees evaluate fairness based on the balance between the effort and skill they put (inputs) and the effort and skill they receive (outputs), especially concerning their peers. Employees are more likely to evaluate fairness—in the distribution of rewards, the procedures, or interpersonal treatment—when the compensation plan is clear, open, and consistent. Perceived fairness increases the employees' level of satisfaction, trust, and lessens the feeling of injustice within the organization.

This confirms with the literature review findings that stated compensation is an essential element influencing employee perception of equity within organizations. Existing studies indicate that employee perception of fairness in distributive and procedural fairness and outcomes increases the more an organization has transparent and performance-based pay systems (Nguyen et al., 2020; de la Torre-Ruiz et al., 2024). Furthermore, equitable and fair compensation communicates fairness in value by the organization to its employees and improves the fairness in interpersonal relations (Shah et al, 2024).

Employees are more likely to view compensation decisions as fair when they understand the reasoning behind them—even if compensation outcomes vary among the individuals involved. In other words, when employees understand the rationale behind specific decisions, they are more tolerant to disparities in compensation.

5.2.3 The Effect of Perceived Equity on Employee Retention

The results showed that employees' perceptions of equity impact retention positively and significantly ($\beta = 0.663$, $p < 0.001$). This means that employees that perceive fairness with regard to reward allocation, decisions, and treatment from management are more likely to stay with the organization.

This result supports Organizational Justice theory which states that perception of fairness will affect the attitudes and behavior of employees, including their commitment and retention (Colquitt et al., 2001). Employees that feel respect and fairness are more likely to feel psychologically attached to their organizations.

Among the dimensions of perceived equity, interactional fairness seems especially critical for the service sectors, for example, banking, where the daily service employees/supervisors' interactions are central to the work experience. The employees' communication, transparency and managerial support reinforce work dignity and organizational value.

This is consistent with previous literature and empirical studies which confirm that fairness perceptions are linked with positive employee outcomes, including attitudes, job satisfaction, commitment, and retention intention. Prior studies indicate that fairness and equity in treatment cultivate an emotional bond with the organization and reduce turnover intentions (Alfano, 2024; Jo & Shin, 2025; Elshaer et al., 2022; Lahlou-Kassi & Eddakir, 2025; Xu et al., 2024). Perception of fairness in rewards leads employees to demonstrate loyalty and stay longer.

Within the context of Palestinian banks, the relational dimensions of equity are especially important. Trust and a sense of belonging cultivated through respectful

communication, managerial backing, and fair treatment, increase employees' attachment to their banks even in the face of adverse external economic and political conditions.

5.2.4 The Mediating Role of Perceived Equity

Perhaps the most important finding from the study is that perceived equity is a partial mediator in the compensation-employee retention relationship. In this case, the indirect effect of compensation on employee retention through perceived equity is significant ($\beta_{\text{indirect}} = 0.565, p < 0.001$). In addition, the direct effect of compensation on employee retention is also significant ($\beta_{\text{direct}} = 0.231$).

This describes the existence of partial complementary mediation, suggesting that compensation affects employee retention directly and indirectly through perceived equity. This connects to the theory discussed in Chapter Two, Social Exchange Theory, where fair treatment strengthens reciprocal relations between employees and the organization (Blau, 1964).

The results of the mediation are also in line with prior studies reviewed in the literature that noted the more employees feel treated fairly, the more effective the compensation will be in retaining employees. Studies discussed in the literature review point out that compensation systems are more effective in the retention of employees when they are viewed as fair and equitable. This is due to the fact that fairness increases employees trust and positive attitudes towards the organization (Shinde, 2025; Xu et al., 2024; Jolly et al., 2021).

This indicates that compensation by itself is ineffective at retaining employees unless it is perceived as fair and equitable. In the case of the Palestinian banking sector, transparent and equitable compensation practices seem to be critical in converting financial rewards into prolonged employee retention.

5.2.5 Demographic Factors

Another important finding of the study is the difference in the perceptions of employees regarding compensation, perceived equity, and retention of employees, among the demographic variables. The findings showed that demographic variables are important in determining how employees evaluate equity and compensation in the banking sector of Palestine. In this regard, H5 is partially confirmed, as significant differences related to most, but not all, of the demographic variables per construct.

The study found significant differences based on gender regarding the components of compensation (Sig = 0.029), perceived equity (Sig = 0.045), and employee retention (Sig = 0.013). Overall, male employees had more positive perceptions compared to female employees. Also, years of experience impacted significantly on the components of compensation (Sig = 0.043), perceived equity (Sig = 0.035), and employee retention (Sig = 0.004). The differences in job title, as a demographic attribute, were also significant across all variables (Sig = 0.000). Age, in comparison, did not significantly affect the variable of compensation (Sig = 0.078), but does affect significantly the variables of perceived equity (Sig = 0.027) and employee retention (Sig = 0.002). The demographic variable of academic qualification was also statistically significant with the variable of compensation (Sig = 0.011) and equity (Sig = 0.009) but was not significant with employee retention (Sig = 0.089).

The findings relate to the theoretical framework presented in Chapter Two, especially Equity Theory, which suggests that employees assess the fairness in the workplace by looking at what they put in and what they get out relative to others in the same positions (Adams, 1963; Adams, 1965). From this perspective, demographic factors like job position and seniority may reinforce the employee comparison standards and affect their perception of the fairness of the outcomes. Moreover, Social Exchange Theory may validate that the perceptions of fairness and equity reinforce employee commitment, and the level of intent to stay with the organization is a function of reciprocal relationships (Blau, 1964).

The demographic results also corroborate to recent literature focused on the employee perception of organizational fairness and justice to explain the lack of uniformity across the

employee groups and the substantial impact on retention and turnover intention (Moon et al., 2024; Zhao et al., 2024). For instance, recent studies show that the perception of organizational justice has a positive correlation with employee retention and a negative correlation with employee turnover intention (Zhao et al., 2024). In addition to this, employees from different generations may appreciate fairness differently and the extent to which this perspective will have an impact on their work attitudes (Moon, 2024). Lastly, employees considered workplace standards to be more equitable when they perceived that the compensation decisions were aligned to the workplace standards.

This suggests that in designing strategies for compensation and employee retention, demographic differences should be considered. Within the context of the Palestinian banking sector, the maintenance of equity, transparency and consistency in compensation systems across the divides of gender, years of experience and job equity systems will promote positive employee equity and retention. Therefore, the banking sector in Palestine needs a demographic focus in order to develop and implement more equitable and inclusive human resource systems for the retention of employees and for the achievement of improved organizational performance.

5.3 Conclusion

This study investigated how compensation affects employee retention in the Palestinian banking sector, specifically focusing on the mediating role of perceived equity. Using a quantitative research method, the study employed PLS-SEM to test the proposed research model and draw conclusions based on empirical evidence regarding direct and indirect relationships among the variables in the study.

The research results indicated that employee retention is greatly influenced by compensation. Employees are more inclined to remain with the organization when they perceive fairness in their pay, bonuses, and training. Thus, it is evident that compensation operates beyond a financial standpoint. It is also a vital strategic tool in HRM to ensure retention, especially in the banking industry.

Moreover, the results indicate that employees' perceptions of equity are strengthened and positively affected by compensation. This means that the more employees are compensated fairly, the more they perceive equity within the distributive, procedural, and interactional dimensions. Such perceptions are important since they positively influence the employees' disposition and behavior, especially in organizations that are highly concerned with fairness and justice.

The results show that perceived fairness positively influences employee retention. Employees who feel they are treated fairly across all relevant areas of the organization become more emotionally attached to the organization, and are therefore, less likely to leave. This indicates that employee retention primarily depends on managerial behaviors and the degree of fairness they practice with employees.

The main contribution of this study is verifying the perceived equity mediating role between compensation and retention of employees. The results show that perceived mediates this relationship and means retention is affected by equity and by employees' feelings of fairness both direct and indirect. Thus, unfair compensation practices are likely to push employees to exit the organization.

This study addresses an important yet under-explored area of the literature, the Palestinian banking sector. The results provide important contributions to both Equity Theory and the theory of organizational justice, which have some value for bank management's retention strategies. More generally, the study posits that banks to the extent that they build their compensation systems around fairness and equity will be able to establish a committed, stable, and satisfaction-guaranteed workforce, which will in turn enhance performance and sustain the bank in the long run, even under difficult economic and institutional conditions.

5.4 Recommendations

- Banks need to create an equitable and transparent compensation system where rewards are dependent on individual roles and responsibilities. Employees tend to view an organization as more equitable when rewards are consistent and equitable. This strengthens the organizational fairness sentiment and results in a greater commitment to the organization and a reduced desire to leave, which, in turn, enhances employee retention.
- More focus and effort should be put towards ensuring that there is equitable pay among employees performing the same role and function. Employees feel greater satisfaction and tend to perceive higher levels of distributive equity when they believe that they are fairly compensated compared to others in the same position. This increases their intention to stay with their organization and decreases their turnover intention.
- As a long-term strategy, banks can focus on investing in training and development programs to increase employee retention. Providing and enabling employees to have equal access to training opportunities helps promote employees' perceptions of career growth and procedural fairness. Training programs strengthen organizational attachment, and as a result, employees are more likely to stay with the organization. This recommendation is based on empirical results of the study, where training and development were captured as an essential dimension of the compensation construct, and compensation positively and statistically significantly impacted employee retention ($\beta = 0.231, p < 0.001$).
- Employers need to set clear and consistent procedures for compensation decisions. Because trust in management and procedural fairness increases when processes are made clear and employees are more likely to stay with the organization when they trust management.
- There should be ongoing training for managers focused on developing their interactional equity skills, especially relating to communication and the interpersonal treatment of others. Managerial behaviors that are more respectful and supportive strengthen employees' feelings of fairness and justice in the organization. Greater interactional equity directly improves employee retention.
- Employee surveys should be conducted frequently to determine how staff members feel about pay, equity, and retention. These assessments assist management in

recognizing problems that may lead to increased turnover and help to mitigate them. Constructive employee feedback also streamlined human resource planning and retention strategies.

- In Palestine, banks need to adjust their compensation policies to current regional economic conditions and the local labor market. This involves drafting, implementing, and systematically structuring policies that guide compensation activities and reviewing them periodically. Continuous revision helps compensation systems to retain their competitive and equitable framework for employees, even during times of economic turbulence. This agility will increase employee retention and assist the bank in adjusting to prevailing conditions.
- Regulatory authorities and policymakers need to assist the banking industry in the adoption of common and equitable human resource policies and practices. Such support would positively impact the uniformity and fairness across the sector, stability of the workforce, and turnover. Increased regulatory support could also improve the banking industry's longitudinal organizational performance and sustainability.

5.5 Limitations of the Study

Although this study demonstrates important results for both theory and practice, it encountered some limitations. Most importantly, the study adopted a cross-sectional research design; thus, the results captured the relationships of compensation, perceived equity, and employee retention at a particular time and do not permit robust causal explanations for the direction of these relationships. Due to time limitations, the researchers chose to adopt a cross-sectional design, as longitudinal studies involve prolonged periods of data collection and time commitments. Secondly, the generalizability of the study findings is limited, as the study population consisted of employees of Palestinian banks in the West Bank. This study population restrictions limits the results applicability to other industries and areas. Thirdly, the research topic's sensitivity, referring to the compensation and fairness perceptions, created some institutional barriers since some banks were cautious to participate and refused to distribute the questionnaire to their employees, which may have restricted the research to certain organizational practices. Fourthly, the study was done within a limited time frame

which limited possible time for follow up with respondents and for further rounds of questionnaire distribution which could have improved the response rate. To conclude, the political and economic instability in Palestine could have shaped employees' perceptions and responses in relation to compensation, job security, and retention intentions, which may constrict the generalizability of the findings to economically and politically more stable contexts.

5.6 Future Research

The most interesting aspect of this research is the multiple questions it raises which can help shape the direction of future research. First, future researchers might consider a longitudinal study design to examine compensation, perceived equity, and employee retention more dynamically. Since this study employed a cross-sectional design, it is limited in scope in assessing the study variables and the causal relationships among them. Furthermore, in relation to compensation and perceived equity, future research can consider employing different theories, models, frameworks, and instruments, given that the literature is rich with various models and tools that can be used to explore and understand these constructs in more broaden ways. This study attempted to limit the focus to particular dimensions of compensation and equity, but other models may be utilized to address additional dimensions of fairness and reward systems. While this research examined the mediating role of perceived equity, other studies could investigate the organizational variables. mediating or moderating of other attitudinal and behavioral variables such as organizational commitment, satisfaction, citizenship behavior, or embeddedness and may include employee performance as an outcome variable. The research also concentrated on the Palestinian banking industry in the West Bank. Therefore, upcoming researchers might want to investigate the same constructs in different domains, such as public offices, health care, or education to enhance the generalizability of the results. Finally, despite the political, economic, and geographical obstacles in Palestine, future research might aim at conducting comparative studies on banks in various parts of the world, or even on Palestinian institutions

and those of other countries, as such studies, although complex, would be valuable and provide insight to the literature in this field.

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Appendices

Appendix (1) Questionnaire in Arabic



استبيان حول

أثر التعويضات على الاحتفاظ بالموظفين: الدور الوسيط للإحساس بالعدالة في القطاع المصرفي الفلسطيني

أعزائنا موظفي البنوك المحترمين،

انا الطالبة دينا العطارى أجري دراسة حول أثر التعويضات على الاحتفاظ بالموظفين، والدور الوسيط للإحساس بالعدالة، في القطاع المصرفي الفلسطيني. وبعد، هذا الاستبيان هو جزء من متطلبات الحصول على درجة الماجستير في إدارة الموارد البشرية في الجامعة العربية الأمريكية.

ولأغراض هذا البحث، نرجو منكم التكرم بالإجابة على الاستبيان التالي، والذي لن يستغرق أكثر من 10 دقائق. هذا الاستبيان مهم للقطاع المصرفي حيث سيقدم توصيات تتعلق بالتعويضات، العدالة المتصورة، و الاحتفاظ بالموظفين. مما سوف يسهم بتحسين أداء الموظفين والقطاع ككل، ونقدّر تعاونكم الكبير.

سنستخدم المعلومات التي يتم جمعها لأغراض أكاديمية وبحثية فقط، وسنحفظ بسرية تامة ولن يتم الإفصاح عن أي إجابات تحت أي ظرف.

شكرًا مقدمًا على تعاونكم

دينا العطارى

طالبة ماجستير إدارة الموارد البشرية

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الجزء الأول: البيانات الشخصية

الرجاء وضع علامة (X) في المكان المناسب لكل من الآتي:

1. الجنس ذكر أنثى
2. العمر (بالسنوات) أقل من 25 25 الى 34
 35 الى 44 45 فأكثر
3. المؤهل العلمي دبلوم بكالوريوس
 ماجستير دكتوراه
4. سنوات الخبرة أقل من سنتين سنتين حتى 5 سنوات
 6 الى 10 سنوات أكثر من 10 سنوات
5. الرتبة الوظيفية موظف مشرف/رئيس قسم
 نائب مدير مدير
 أخرى
6. اسم البنك (اختياري): _____

الجزء الثاني: التعويضات (المنافع/العوائد المالية و المعنوية للموظف)

تُعرف التعويضات بأنها المقابل الذي يحصل عليه الموظف نظير مساهمته في المؤسسة، ويتضمن المزايا المالية وغير المالية مثل الرواتب والمكافآت والتدريب.
(X) في الخانة التي تعبّر عن مستوى رضاك، الرجاء وضع إشارة:

1. التعويضات						
1.1 الراتب والتعويضات المالية						
الرقم	الفقرة	موافق بشدة	موافق	غير متأكد	غير موافق	غير موافق بشدة
1.	الراتب الحالي يتناسب مع وظيفتي الحالية					
2.	راتبي يعكس بشكل عادل الجهد والمسؤوليات المطلوبة في وظيفتي					
3.	راتبي يعتبر عادلاً مقارنة برواتب الموظفين الذين يعملون في نفس البنك ونفس المستوى الوظيفي					
4.	راتبي يعتبر عادلاً مقارنة برواتب الموظفين في البنوك الأخرى الذين يقومون بعمل مشابه					
5.	يتحسن الراتب بشكل جيد يتناسب مع انجازاتي					
6.	يتحسن الراتب بشكل جيد يتناسب مع السوق					
7.	يتناسب الراتب مع احتياجاتي ومستلزمات حياتي					
8.	الراتب هام ويعتبر جزءاً هاماً من العوائد المالية التي يقدمها بنكي					

1.2 المكافآت المالية						
تمثل ما يحصل عليه الموظف من مال غير الراتب الشهري						
الرقم	الفقرة	موافق بشدة	موافق	غير متأكد	غير موافق	غير موافق بشدة
9.	آلية تحديد المكافآت في بنكي تتم بطريقة عادلة وواضحة					
10.	نظام المكافآت يعكس بشكل عادل الجهد والأداء الذي أقدمه في عملي					
11.	توزيع المكافآت بين الموظفين في نفس المستوى الوظيفي يتم بشكل عادل ومتسق					
12.	المعلومات المتعلقة بالمكافآت يتم توضيحها لي بشكل شفاف وسهل الفهم					
13.	تتخذ قرارات المكافآت بشكل مستقل ودون أي تأثير غير منصف من الآخرين					
14.	مراجعة وتقييم قرارات المكافآت تتم بشكل مناسب ومنتظم داخل البنك					
1.3 تطوير الموظف/ إضافة معرفية ومهاراتية						
تمثل عوائد ومنافع معنوية تساهم في تطوير الموظف وتكوير معرفته وخبراته						
15.	يتم تنفيذ برامج تدريب منتظمة لتحسين المهارات الفنية والمهنية للموظفين					
16.	يوفر البنك فرص تدريب تُعدّ الموظفين للمهام المستقبلية أو للترقيات					
17.	برامج التدريب في البنك تتوافق مع احتياجات الموظفين الفعلية في وظائفهم					
18.	برامج التدريب المقدمة ذات صلة ومفيدة في الأنشطة اليومية لوظائف الموظفين					
19.	الإدارة تشجع وتدعم مشاركة الموظفين في برامج التدريب والتطوير					
20.	يحصل الموظفون على الإرشاد أو التوجيه من موظفين ذوي خبرة كجزء من مبادرات التدريب					

					21. يمكنني الاعتراض أو الطعن في النتائج التي تنتج عن تلك الإجراءات
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الجزء الثالث: العدالة المتصورة

تُشير العدالة المدركة إلى تقييم الفرد لمستوى الإنصاف من خلال تحليل مدخلاته ومخرجاته مقارنة بمدخلات ومخرجات الآخرين ذوي الصلة، وتشكل هذه الأحكام إحساسه بالعدالة وتؤثر على سلوكه في بيئة العمل.

2. العدالة المتصورة					
2.1 العدالة التوزيعية					
تمثل تطبيق العدالة من قبل مؤسستي حسب الأعمال التي أقوم بها					
الرقم	الفقرة	موافق بشدة	موافق	غير متأكد	غير موافق بشدة
22.	النتائج التي أحصل عليها تعكس الجهد الذي أبذله في عملي				
23.	النتائج التي أحصل عليها مناسبة لما أنجزته من عمل				
24.	يتم بناء الأهداف والتكليفات بشكل عادل				
25.	يتم توفير الموارد اللازمة للإنجاز بشكل عادل				
2.2 العدالة الإجرائية					
26.	أستطيع التعبير عن آرائي ومشاعري أثناء الإجراءات المتبعة في البنك				
27.	يتم تطبيق الإجراءات الإدارية بشكل متنسق ومنتظم في البنك				
28.	الإجراءات الإدارية المتبعة خالية من التحيز				

					تستند الإجراءات الإدارية في البنك إلى معلومات دقيقة وموثوقة	29.
2.3 العدالة التفاعلية						
					تتوفر معاملة لائقة لا تنقص من احترام الموظف	30.
					لا يوجد بعد شخصي في التعامل	31.
					يمنع مشرفي عن الإدلاء بتعليقات غير لائقة أو مسيئة	32.
					يشرح لي مشرفي الإجراءات بشكل واضح ومفهوم	33.
					يقوم مشرفي بتوصيل المعلومات لي في الوقت المناسب	34.

الجزء الرابع: الإحتفاظ بالموظفين

يُشير الإحتفاظ بالموظفين إلى قدرة المؤسسة على توفير بيئة تشجع الموظفين على البقاء فيها لفترات طويلة، مما يقلل من معدل الدوران الوظيفي الطوعي .

3. الإحتفاظ بالموظفين						
الرقم	الفقرة	موافق بشدة	موافق	غير متأكد	غير موافق	غير موافق بشدة
35.	يعزز البنك بممارساته وسياسيته ولاء الموظف للبنك					
36.	إذا رغبت في تغيير وظيفتي، سأبحث أولاً عن الفرص المتاحة داخل هذا البنك					
37.	أرى لنفسي مستقبلاً مهنيًا مع هذا البنك					
38.	أنوي الاستمرار في العمل لدى هذا البنك خلال السنوات الخمس القادمة					
39.	العمل الذي أقوم به مهم جدًا بالنسبة لي					

					40. أنا أحب العمل في هذه البنك
					41. أوصي بهذا البنك لأصدقائي ولباحثي العمل الآخرين

تمت
شكرا لكم ولوقتكم

Appendix (2) Questionnaire in English



Arab American University

Human Resources Management

A Survey on

The Impact of Compensation on Employee Retention: The Mediating Role of Perceived Equity in the Palestinian Banking Sector

Dear Bank Employees,

I am conducting a study on the impact of compensation on Retention, along with the mediating role of perceived equity, in the Palestinian banking sector. This questionnaire is part of the requirements for the Master's Degree in Human Resource Management at the Arab American University.

For this purpose, we kindly ask you to answer the following questionnaire. This will take about 10 minutes at the most. This questionnaire is very important, and we really appreciate your assistance with this research.

The information collected will be used solely for academic and research purposes and will be kept completely confidential. Responses will not be released under any circumstances.

Thank you in advance for your kind cooperation.

Dina Alatari

HRM Student

E-mail: d.alatari@student.aaup.edu

Section A: Demographic Information

Variable: **Category**

Gender: Male Female

Age: Less than 25 25–34 35–44 45 and above

Education Level: Diploma Bachelor’s Master’s PhD

Years of Experience: Less than 1 year 1–5 6–10
 More than 10

Job Position: Employee Supervisor /Head of Department

Deputy Manager Manager Other: _____

Section B: Compensation

Compensation is the remuneration employees receive in return for their contribution to the organization, provided through monetary and non-monetary benefits. It includes salary, bonuses, and training.

Please place an 'X' in the box that best describes your level of satisfaction with each statement.

1. Compensation						
1.1 Salary and financial compensation						
No.	Statement	1 Strongly Disagree	2 Disagree	3 Not Sure	4 Agree	5 Strongly Agree
1	My current salary is commensurate with my current position.					
2	My salary fairly reflects the effort and responsibilities required in my job.					

3	My salary is considered fair compared to the salaries of employees working at the same bank and in the same job level.					
4	My salary is considered fair compared to the salaries of employees in other banks who do similar work.					
5	My salary is improving significantly, commensurate with my achievements.					
6	The salary is improving well and is in line with the market.					
7	My salary is sufficient for my needs and lifestyle requirements.					
8	Salary is important and considered a significant part of the financial returns offered by my bank.					
1.2 Financial Bonuses						
9	My bank's bonus system is fair and transparent.					
10	The bonus system fairly reflects my effort and performance at work.					
11	bonus is distributed fairly and consistently among employees at the same job level.					
12	Information regarding bonuses is explained to me clearly and easily.					

13	Bonus decisions are made independently and without any unfair influence from others.					
14	Bonus decisions are reviewed and evaluated appropriately and regularly within the bank.					
1.3 Employee development / Knowledge and skills enhancement						
15	Regular training programs are implemented to enhance employees' technical and professional skills.					
16	The bank provides training opportunities that prepare employees for future roles or promotions.					
17	The bank's training programs are aligned with employees' actual job needs.					
18	The training programs offered are relevant and useful to employees' daily job activities.					
19	Management encourages and supports employee participation in training and development programs.					
20	Employees receive mentoring or guidance from experienced staff as part of training initiatives.					
21	I can object to or challenge the outcomes resulting from those procedures.					

Section C: Mediator: Perceived Equity

Perceived equity is defined as someone's evaluation of fairness that comes from analyzing their own inputs and outcomes as compared to those of relevant others, and these judgments shape their sense of equity and affect workplace behavior.

(Distributive, Procedural, and Interactional Equity)

2. Perceived Equity						
2.1 Distributive Equity						
No.	Statement	1 Strongly Disagree	2 Disagree	3 Not Sure	4 Agree	5 Strongly Agree
22	The results I achieve reflect the effort I put into my work.					
23	The results I achieve are commensurate with the work I have accomplished.					
24	Goals and assignments are set fairly.					
25	The necessary resources are provided fairly.					
2.2 Procedural Equity						
26	I can express my opinions and feelings during the bank's procedures.					
27	Administrative procedures are applied consistently and regularly at the bank.					
28	The bank's administrative procedures are impartial.					

29	The bank's administrative procedures are based on accurate and reliable information.					
2.3 Interactional Equity						
30	I receive respectful and dignified treatment.					
31	There is no personal element in my interactions.					
32	My supervisor refrains from making inappropriate or offensive comments.					
33	My supervisor explains procedures clearly and understandably.					
34	My supervisor provides me with timely information.					

Section D: Employee Retention

Retention of employees pertains to the ability of an organization to provide an environment that encourages employees to stay with the organization for long periods, which in turn minimizes voluntary turnover.

(Job Satisfaction, Organizational Commitment, and Turnover Intention)

3. Employee Retention						
No.	Statement	1 Strongly Disagree	2 Disagree	3 Not Sure	4 Agree	5 Strongly Agree
35	The bank's practices and policies foster employee loyalty.					
36	If I were to change jobs, I would first look for opportunities within this bank.					
37	I see a promising career with this bank.					
38	I intend to continue working at this bank for the next five years.					
39	The work I do is very important to me.					
40	I enjoy working at this bank.					
41	I would recommend this bank to my friends and other job seekers.					

Appendix (3) Questionnaire Revision

List of Academic and Professional Referees

#	Name of Arbitrator	Position	Field	University
1	Dr. Saleh Amarneh	Assistant Professor	Business Administration	Arab American University
2	Dr. Zahi Yaseen	Assistant Professor	Human Resource Management	Arab American University
3	Dr. Yasser Abu Hijleh	Associate Professor	Economics and Administrative Sciences	Birzeit University
4	Dr. Rabeih Morrar	Associate Professor	Economics and Administrative Sciences	An-Najah National University

الدور الوسيط للمساواة المدركة في العلاقة بين التعويض والاحتفاظ بالموظفين في القطاع المصرفي الفلسطيني.

دينا مجدي نظمي العطاري

د. أكرم حمدان

د. عماد ولدعلي

د. محمد سالم

الملخص

هدفت هذه الدراسة إلى بحث تأثير التعويضات على الاحتفاظ بالموظفين، ولا سيما الدور الوسيط للشعور بالعدالة بين الموظفين في القطاع المصرفي الفلسطيني. أُجريت الدراسة بين يوليو/تموز 2025 ويناير/كانون الثاني 2026، مع التركيز على القطاع المصرفية في الضفة الغربية. تتناول الدراسة مشكلة الحفاظ على قوة عاملة ماهرة في القطاع المصرفي خلال فترات عدم الاستقرار الاقتصادي وتزايد المنافسة، مؤكدةً على ضرورة وجود أنظمة تعويضات عادلة وتنافسية.

تم اعتماد المنهج الكمي هذه الدراسة، وجمعت البيانات باستخدام استبانة مُنظمة. وقد شملت العينة المستهدفة 6879 موظفًا من البنوك في فلسطين بالضفة الغربية. ولضمان تمثيل بنوك ومستويات وظيفية متنوعة، لم تصميم أسلوب المعاينة الطبقية، إلا أن العينة النهائية اقتصرت على الموظفين المتاحين والراغبين في المشاركة. وقد تم جمع وتحليل 297 استبيانًا صالحًا. تضمن الاستبيان أسئلة تتعلق بالمتغيرات الديموغرافية، وأبعاد التعويضات (الراتب، والمكافآت، والتدريب)، وأبعاد العدالة المدركة (العدالة التوزيعية، والإجرائية، والتفاعلية)، إضافة إلى الاحتفاظ بالموظفين. وتم تحليل الإحصاءات الوصفية باستخدام برنامج SPSS، بينما حُللت نماذج القياس والهيكلية وتأثير الوساطة باستخدام برنامج SmartPLS (PLS-SEM).

أظهرت النتائج أن التعويضات الإجمالية، والعدالة المدركة والاحتفاظ بالموظفين كانت عند مستويات متوسطة. وتبين أن للتعويضات أثرًا إيجابيًا على الاحتفاظ بالموظفين، وأثرًا إيجابيًا مرتفع جدًا على العدالة

المُدركة. بالإضافة الى ذلك، تسهم العدالة المُدركة إسهامًا كبيرًا وإيجابيًا في الاحتفاظ بالموظفين. كما أظهر تحليل الوساطة أن العدالة المُدركة تُؤثر جزئيًا على التعويضات والاحتفاظ بالموظفين، مما يعني أن التعويضات تُؤثر على الاحتفاظ بشكل مباشر وغير مباشر من خلال إدراك الموظفين للعدالة.

في ضوء النتائج، توصي الدراسة البنوك الفلسطينية بتعزيز نظام التعويضات لديها من خلال تحسين الشفافية والاتساق والعدالة فيما يتعلق بالرواتب والمكافآت والتدريب. كما أن تحسين العدالة التوزيعية والإجرائية والتفاعلية من شأنه أن يسهم في تحسين الاحتفاظ بالموظفين، وعلى المدى الطويل يساعد في تعزيز الاستقرار داخل المؤسسة.

الكلمات المفتاحية: التعويضات، العدالة المدركة، الاحتفاظ بالموظفين، العدالة الاجرائية، العدالة التوزيعية.