Chapter I

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Chapter I

Introduction

1.1. Money is one of the most fundamental discoveries of mankind. It occupies a key position in economy. It is a facilitator and a motivator covering a broad spectrum of economic activities. “Money facilitates and motivates all economic activities relating to consumption, production, exchange and distribution.”\(^{(1)}\) It promotes all economic activities from manufacturing to consumer satisfaction. “Money enables a consumer to maximize his satisfaction. Money measures the intensity of human desire and the utility of the commodity to a consumer.”\(^{(2)}\) Money directs idle resources into productive channels, and thereby affects output, income, employment, and the economic welfare of the community at large. And it helps each member of society to ensure that the means of enjoyment, of which he has access, yield him the greatest amount of actual enjoyment, which is within his reach.

The present era is characterized by the free enterprise system, which revolves around the flow of money. In the present day system money has been accepted not only as means to satisfy the physical needs of day today life but as a measuring rod of social status and power. Money ethic has become a popular driver of employee motivation. To individual money is a basic instrument, which drives all other activities. As an employee the reward of services is paid in money terms. It is an important source, which drives human action, in addition to means to satisfy human wants.
Money is what money does is the popular definition about money. There is a varying degree of importance attached to this wonderful thing in all societies across the world. The most important feature of the money is that it is not controversial when it comes and it has same level of acceptance in different social set ups. Money has a capacity to satisfy and motivate people to perform a certain task. It facilitates the process of exchange, which is the foundation of commerce. It is a common denominator of exchange since ancient times. The evolution is traced to 2000 BC. All sorts of things have been used as money at different times in different places. The various forms of money are Amber, beads, cowries, drums, eggs, feathers, gongs, hoes, ivory, jade, kettles, leather, mats, nails, oxen, pigs, quartz, rice, salt, thimbles, umiacs, vodka, wampum, yarns and zappozats. The definition of money is impossible on the basis of its physical form or properties since these are so diverse. Therefore any definition must be based on its functions. Broadly we may classify its functions in to specific (micro) and general (macro). The specific functions include unit of account, common measure of value, medium of exchange, means of payment, standard for deferred payment and store of value. The general functions encompass liquid assets, framework of market allocative system i.e., prices, a causative factor in the economy and controller of the economy.

Money being vital force in any economy its circulation and change of hands brings lot of changes. There is a continuous or circular flow of money among the various sectors of the economy and as such it oils the economic machine and make it work smoothly. It is in terms of money that, wages, rent, interest, and profit are determined. The method of
reward in money terms to employees for the services rendered is in practice since long. Money has the capacity to induce human behaviour and that has been used by the modern organisation for higher productivity. The additional money motivates workers to work hard and improve the performance.

1.2. Motivation

Human being is the most important factor and a life-giving element in an organisation. In absence of it, the resources of production remain resources and never become production. Plans and material resources alone, however good they may be, cannot lead business. The success depends upon the human intervention in a system. For this, only recruitment of personnel is not enough, the personnel must carry out the jobs efficiently; they must put what is best in them. A man recruited may be physically, mentally and technically fit to work but he may not be willing to work. The ‘capacity to work’ and ‘willingness to work’ are two different things. The persons in the organization require some sort of stimulation, inducement to do their work efficiently and achieve the desired results. No human being can function without stimulation and challenge. This necessitates the introduction of different drivers of motivation in an organisation. Motivation drivers mean the factors that energise, direct and sustain behaviour of an individual. The most common motivation drivers are higher payment, additional facilities, recognition, status, appreciation etc.
1.3. Money Ethic

“The word ethics commonly refers to principles of behavior that distinguishes between what is good, bad, right & wrong”\(^{(3)}\). Human behavior is in some way driven by some motives and they have reasons for doing things. All human behavior is directed towards certain goals & objectives. Managers use ethics as guidelines in making decisions that affect employees. The motivation begins with an unsatisfied condition and ends with movement to release that unsatisfied conditions, with goal directed behavior as a part of the process. Money ethic is in currency since long time. The society in general accepts money as an important factor for recognition of status of an individual in different social setup. The importance of money ethics can be observed more in recent times as the Globalization has brought in many new concepts in work ethics. Amongst them money ethics has been considered as the most vital one and the corporate entities in particular endorsed the money ethics and woven it in their basic philosophy of business. They believe and endorse the money ethic concept and also acknowledge the fact of higher payment results in higher employee performance and greater level of motivation. For an individual, excelling his or her performance in anticipation of higher reward in monetary terms will enable him or her to satisfy the unending aspirations of worldly enjoyments.

1.4. Role of Money as a Motivator

Money is a wonderful stimulus. It can create anything from nothing and is capable of satisfying human wants and aspirations. “People’s attitude toward money can be perceived as their frame of reference in which they examine their everyday life and may have a
significant impact on their motivation and work-related behaviours.” *(4)* People also see wealth as a key for enjoying life. “Wealth is a source of all enjoyment and happiness” *(5)*

Money is necessary not only to satisfy physical needs of a person but the status and respect of a man also depend upon the money he or she earns. Therefore, management regards money as the most important motivator by offering financial incentives like wages & salaries, bonus, retirement benefits, medical reimbursement, profit share, increment etc. Financial incentives may be individual incentives or group incentives. The basic logic of monetary incentives is that individuals will use their potentials for better performance in order to earn more money.

The degree of motivation by money will depend on the degree of employee needs and how much money he is getting and is it sufficient enough to meet his needs. On the other hand, if a person were already well paid, a slight increase in his carry-home salary would have little motivating effect on him. But this may perhaps not hold true in case of all employees. It is a common perception of the majority of people that, if they are paid more, they will work more and better, for longer periods and with greater interests. Even if people have money, they are always in search of avenues to make more of it, so that, they could satisfy their desire for status or their goal of getting rich. For some people, money is not an end in itself but rather a means to buy things that might give them physical and mental satisfaction.

Money is the instrument of commerce and it also acts as the measure of value. “Money can never be overlooked as a motivator.” *(6)* Money is an extremely valuable instrument for accelerating economic growth and promoting social welfare. “Money to act as motivator should
be given in sufficient quantity. It can motivate people only when the prospective payment is large enough relative to their income. The people will try to earn more money by their higher performance, if they feel that, the additional money earned by their efforts is a significant portion of their income.”

The importance of money as a motivator remained in all phases of human civilization.

Amongst the various motivators financial incentives are considered to be most effective, however, this may not be so in all cases and all times. But it does have the capacity to move people to perform better. The increase in compensation shall be correlated to increase in output of employees.

Incentive compensation, also called ‘payment by result’, is essentially a managerial device for increasing worker’s productivity. There are different schemes and methods through which the workers are compensated for higher output and amongst them direct monetary benefit is the most important and influencing method for employees. In the words of Hamuel and Nickerson, ‘wage incentives refers to all the plans that provide extra pay for extra performance in addition to regular wages for a job.’ According to G.K.Suri ‘wage incentives is based on the principle that an offer of additional money will motivate workers to work harder and more skillfully for greater part of their working time, which will result in stepped up rate of output’. “ The basic logic of monetary incentives is that, individuals will use their potentials for better performance in order to earn more money”. The National Commission on labour observes that, ‘wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person;
over and above the time rated remuneration for improvements in the present or targeted results’.

Satisfaction is a function of an assessment between what one receives that is the reality and what one would like to receive that is prospects or expectation as suggested by the discrepancy theory of satisfaction. The meaning of money lies ‘in the eye of the beholder’. It is how he perceives it, which differs from person to person. It can have a positive attitude towards money some may have negative thoughts about it and consider it as evil or for those matter even neutral feelings that is endorsement of money, which is neither too low nor too high. A lower level of money importance or the love of money may lead to a smaller discrepancy between the reality and the expectation that, in turn may lead to higher satisfaction and vice versa. Attitude towards money can be perceived as their frame of reference in which they examine their everyday life as stated by tang (1992) and may have a momentous impact on their motivation and occupational behaviors particularly – turnover or intention to leave the organization.

Money has been used to create a center of attention to retain, and motivate and stimulate employees to work in the organization. Most of the times people work for their money and want to have more money. The important word to be noticed here is more. When people make more money, they immediately change their standards and want even more money. It is like wants are unlimited, they are never ending, you are never satisfied or contented with what you get and desire to get more and even more in life. This is how the importance given to money by a person is evaluated. Feelings of overpayment are very momentary. However, feeling of underpayment tends to be steady and is complicated to
eradicate. It is only when we don’t get something we realize the importance of that particular thing and value it even more the same way when we get less money, it pinches us and this feeling is quite stable and hard to get rid of.

Materialism refers to an acute sense of material needs and desires and the importance a consumer attaches to worldly possessions. People’s perception of greediness and their behaviors would highly be related to the meaning of money. For materialistic individuals, possessions are believed to provide the greatest sources of satisfaction and dissatisfaction in life. Low and high materialists are also likely to differ in the meaning money holds for them and in money-related attitudes.

1.5. Literature Review:

Human factor is the most crucial element in the whole dynamics of management. The literature in management since the days of Taylor highlighted its importance in different studies. The application of psychology in industry and management opened new vistas of research, which were later classified as motivational theories. The basic motto is to understand the human behaviour in relation to the work place. There have been considerable studies in identifying the different variables, which effects human behaviour at work. The most famous Hawthorne Experiments was undertaken in 1920, and it was abandoned in half way in 1932. This experiments although not complete but regarded as the most important milestone in the history of modern management. It opened new windows on human side of the organisation. The experiments were based on certain assumptions that, each worker is independent. Secondly it is possible to measure an influence, the actions and performance of each worker. Thirdly the workers’ output depends on
physical environment like lighting, humidity, heating and noise at workplace. In addition to that, it was assumed that, low output is due to ill timing of work and rest and physical motion at work as well as lack of proper wage incentives.  

The system theory of Bernard has considered the co-operation and co-operative effort in a formal organisation. He suggested a comprehensive system approach to managing. 

Prof. Hawthorne experiment numerous socio-psychological thinkers and scholars contributed to the progression of management thought keeping in view the Needs of the employees. The most celebrated theory was offered by Abraham Maslow (1943) has presented Need Hierarchy Model of human motivation. His theory received wide acceptance over the years. The model was based on the assumptions that i) a man is a wanting animal ii) human beings have many needs ranging from physical at lower level to psychological at upper level iii) these needs occur in order of hierarchy so that lower level needs must be satisfied before higher level needs arise. iv) A satisfied need can never be a motivator.

The Human Relations Approach became popular in 1950’s and it still receives a great deal of attention. The development of good human relations in general in the relationship of the manager and subordinate in particular, is important for good management. Human relation proponents believe that, management should recognize employees’ needs for recognition and social acceptance.

In the later part of the past century Peter Drucker a prolific writer also contributed to the field of human resource and general management.
In 1950’s the idea of knowledge worker propounded by him has been proved in new millennium.\(^{(13)}\)

Herzberg (1959) has developed a two factor theory of motivation. He believed that, man has two sets of needs – one set of factors is called hygiene or maintenance factors and the other set is called motivational factors. He classified the factors that prevent dissatisfaction as hygiene factors. Those factors that have positive effect on job satisfaction are known as motivators.\(^{(14)}\)

Douglas McGregor’s Theory X and Theory Y is based on dual nature of individuals- theory X is based on negative / pessimistic side of human nature, whereas theory Y is based on positive / optimistic side of human nature.\(^{(15)}\)

William Ouchi’s Theory Z has presented a theoretical model of motivation, which is based on the best practices of Japanese organisations. Theory Z highlighted Japanese style of managing organisations where human factor is considered as most important for higher productivity. The lifetime employment and trust, intimacy and participative decision making are the hall mark of this philosophy.\(^{(16)}\)

In India the human factor and its significance has been highlighted in many studies. Ganguli (1957) conducted a survey in an Indian Railway Workshop employing around 12,000 workers. Interviewing 27 Supervisors and 140 workers, he concluded that supervisors expected three things from their job: adequate income, job security, and adequate value towards their suggestions and recommendations regarding their own work group.\(^{(17)}\)

Lahiri and Shrivastva (1967) conducted a study to test Hertzberg’s two factor theory and revealed that middle level managers attached
importance to responsibility, domestic life, and accomplishment of a job and utilization of their ability on the job. To these people, organizational policy, promotion, salary, superior and growth avenues were not features of much significance. To evaluate eight areas of needs (as specified in Hertzberg’s theory) for measuring motivation and to analyze eight factors hampering their performance.\(^{(18)}\)

Laxmi Narayan (1971) conducted a study of 1213 managers working in 47 public sector undertakings in India. Among the different motivational factors, conducted job performance, the feeling of worthwhile accomplishment were considered as the most important and it was followed by recognition, the opportunity for personal growth and decision making authority.\(^{(19)}\)

On Maslow’s classification of needs, Agrawal (1976) conducted a study, which revealed that security was the most important need of the managerial class in India. The same fact has been reiterated by Ganguli and Guha (1978) also.\(^{(20)}\)

Nahata (1980) reported an inverse relationship between need satisfaction and role conflict. Managers and supervisors were found to be more dissatisfied in the categories of higher order need.\(^{(21)}\)

Dolke and Sutaria (1980) revealed that there was some relationship between ‘Achievement and motivation.’\(^{(22)}\) Prasad and Gowda (1977) in their study on 50 managers about what they wanted from their jobs, revealed that in order of preference, managers expected recognition of work, job contents, higher status and authority, good salary, informal relationships with higher-ups, and clearly defined responsibility.\(^{(23)}\)

Fraser (1967) in his study related to achievement motivation in Orissa, which had certain implications from the view point of caste-based
social stratification prevalent in India. Based on this study, McClelland revealed that children whose fathers were members of Teli and Gaud castes had higher need for achievement than the children whose fathers were engaged in traditional agriculture.\(^{(24)}\)

Mehata (1966) in his study in Delhi, revealed that the composite socio-economic status and the fathers’ income made no difference to levels of n’ achievement of their boys.\(^{(25)}\) By conducting one study in Karia District in Gujarat, Desai (1970) revealed that fathers’ socio-economic status was not related to n’ achievement of pupils, but fathers; educational level was significantly related to pupil’s’ achievement scores.\(^{(26)}\)

Tamhankar (1968) had conducted a study in Pune, Maharashtra to find out how far the n’ achievement arousal technique was useful for measuring the strength of n’ achievement with some socioeconomic variables, vocational choice of students n’ achievement with some socioeconomic variables, vocational choice of students and certain other variables like age, intelligence and academic performance. He revealed that the boys from middle class families had higher achievement motivational level than those from upper and lower classes. To some extent, in respect of occupations, fathers’ occupation was found to be related to n’ achievement level.\(^{(27)}\)

Chaudhary (1971) conducted a study in Amritsar, Jalandhar and Chandigarh, in Punjab to see the relationship between achievement motivation and anxiety, intelligence, sex, social class and vocational aspirations. He concluded that n’ achievement scores and social class were positive and significantly correlated, but it was not significant in
case of boys as well as girls, when computed separately. (28) Gokulnathan (1974) conducted a comparative study of tribal and non-tribal students in Assam in respect of their n’ achievement with reference to their social, cultural, racial, educational and economic background. This study revealed that the n’ achievement levels of the tribal boys with middle and low socio-economic status were comparatively higher and not significantly different from the n’ achievement of non-tribal urban boys with high socio-economic status. (29)

McClelland (1965), based on his Kakinada experiment in Andhra Pradesh, revealed that the entrepreneur who participated in achievement motivation training (experimental group) program conducted by him performed better entrepreneurial functions that the control group (who did not participate in the training program). Hundal (1971), Lasker (1969), and McClelland and Winter (1969) also supported the findings of McClelland. (30)

Ananthraman and Deivasenapathy (1979) conducted a study to explore the level of achievement among managers, supervisors and workers and they revealed that managers had higher achievement motivation than supervisors and workers. (31) Hassan Ali and Halepota (2005) suggested that in the construction industry, if management wants to improve workers motivation, it must take an active role in managing the motivational process at work. (32)

Money as a motivating factor and the people’s attitude towards money has become an important topic for research in the field of economic psychology and human resource management. The people’s attitude towards money differs in individuals. For materialistic individuals money and possessions are believed to provide the greatest
source of satisfaction. People with low materialistic behaviour attaches low importance to money, as stated by Lawler (1981), cited in the article written by tang et all (2000).\(^{(33)}\)

Furnham(1984) found that, there is a dearth of empirical research related to people’s attitude towards money. In his further research (1998) found that, some people are blessed with money as a sign of success. They consider that, the more they have it, the higher it shows their level of success and achievement.\(^{(34)}\)

Campion (1991) stated that, majority of people are motivated by money and the most important reason for voluntary turnover is higher wages/ career opportunities. People have different levels of love for money. People with high or low love of money may have different patterns of pay satisfaction.\(^{(35)}\)

According to Luna- Arocas and Tang (1999) employees whose attitude towards money is positive believe that money represents their success.\(^{(36)}\)

In the study conducted by Thomas Li Ping, Tang, Jwa K Kim & David Shin- Hsiung Tang (2000) it is inferred that people with high money ethic endorsement are more likely to have a higher level of positive attitudes toward money. They are likely to change their jobs more frequently than those with low money ethic endorsement. The higher employee turnover can be attributed to higher level of importance attached to money.\(^{(37)}\)

Judge(1993) states that, people with low job satisfaction and low money ethic endorsement may have the lowest voluntary turnover among all employees.\(^{(38)}\)
Kim and Tang (2000) stated that, high love of money people quit their jobs voluntarily (pull) regardless of their intrinsic job satisfaction (push). Low love of money people with low intrinsic job satisfaction have lowest voluntary turnover. Intinsic job satisfaction – turnover relationship is different for high and low love of money employees.\( ^{(39)} \)

The study of Costa & McCrae (1992) found that there are significant differences in intensity of money ethic endorsement, which are dependent on various factors like gender, period of unemployment, family composition, and the most important age. It is found that, men tend to consider pay more important than women. The loss of earning during unemployment also effects employee’s attitude towards money. Age plays an important role in influencing the level of money ethic. Younger people tends to change the job for the higher salaries, the experienced and older people attaches less importance to hike in salaries for change of job.\( ^{(40)} \)

Mae Lon Ding (2007) in his article stated that, almost every one is motivated by money to some degree, many to a moderate degree, and most to a great degree when compensation is properly designed. Behaviourial scientists, employee and management surveys, and client experiences show compensation can be a strong driver of employee behaviour under right circumstances when properly designed.\( ^{(41)} \)

Tang, Furnham & Davis (2002) conducted the study on money ethic endorsement, which compared the people’s endorsement of money ethic across three countries: Taiwan, USA, and UK. The study revealed that, American men consider money as their success, British men considered money as evil. British women claimed that, they budget their money carefully.\( ^{(42)} \)
Thomas Li Ping, Tang & Randy K Chiu (2003) conducted a study and examined a model involving income, the love of money, pay satisfaction, organizational commitment, job changes and unethical behaviour among 211 full timers in Hong Kong and China.\(^{(43)}\)

Tang (2007) has examined a model of income and quality of life that controls love of money, job satisfaction, gender and marital status and treated employment status (full time versus part time), income level, and gender as moderators.\(^{(44)}\)

Using the money ethic scale summary Gbolahan Gbadamosi & Patricia Joubert conducted a field study on money ethic in Swaziland. The study revealed that people have high premium and affection for money.\(^{(45)}\)

Mishra (2003) mentioned in his research that, a workman’s work attitude at workplace is directly in relation to his monetary compensation, and there is nothing unnatural in that.\(^{(46)}\)

Ryan Howell (2009) concluded that, people still believe more money will make them happy, even though 35 years of research has suggested the opposite. Maybe this belief has held as money is making some people happy some of the time, at least when they spend it on life experiences.\(^{(47)}\)
1.6. **Hypotheses:**

The present research has been carried out with the following hypotheses:

1. Employees are motivated by monetary incentives.
2. Employees’ success is measured by their earnings.
3. People work hard for higher remuneration.

1.7. **Objectives of the Study:**

The present study has been undertaken with the following objectives:

1. To investigate various driving factors of employee motivation.
2. To examine the nature of relationship between money and motivation.
3. To examine the impact of money on performance of employees.
4. To judge the impact of money in enhancing job satisfaction.
5. To analyse the impact of motivation of employees in different age group.
6. To gauge the effect of motivation drivers among different income group of employees.

1.8. **Research Methodology:**

The study includes the use of primary and secondary data both.

For the present research work a survey has been undertaken as a primary data, based on the structured questionnaire and interview in some cases where need was felt. The survey was based on a sample of 500 employees of different sectors and professions. The sample selected was both random and convenient. The Questionnaire was designed in two parts- the first part included demographic profile of the respondents and in the second part all the questions were directed at Money Ethic Endorsement. It covers all the details of money and motivation. There were in all 34 questions in the questionnaire.
The responses from the employees were gathered in person. The data so collected has been classified, on different parameters, tabulated in various orders and organised for analysis on different scales for drawing meaningful inferences. The secondary data is used for supporting the analysis. This has been collected from the Published Books, Magazines, Journals, Research Papers and the Internet.

1.9. Scope and Limitations:

The study covered all the motivational factors resulting in the enhancement of employee performance with special reference to money ethic endorsement. The study has covered the sample from Manufacturing and, Service sectors. The sample comprises of the people of different organizations and age groups. The study is limited to the organizations of Aurangabad and limited to 500 sample employees.

1.10. Tools used in the Study:

The present research has considered the different aspects of employee perception for analysis and interpretation. The analysis made use of some quantitative tools like Average, Percentage and Deviations wherever found necessary. For drawing the inferences the study made use of statistical tool for understanding the behaviour of various parameters in comparison with income of the respondents. The data has been used for individual and cross factor analysis. The Chi Square Test has been employed for finding out the consistency of the hypotheses.
1.11. Organisation of the Thesis:

The present research work has been divided into five chapters as follows;

The first chapter presents the introduction of the topic, Objectives of the study, Research Methodology, Scopes and Limitations and Tools used in the Study.

The second chapter details the concept of Money and its functions. It also covers the historical perspective and the dynamic role of money in the modern economy.

The third chapter deals with the Motivation Concepts, its theories, and highlights the importance of money as a driving force of motivation. The chapter has dealt in detail the theories of motivation propounded by various authorities.

The fourth chapter presents the data analysis and interpretation. It shows the organization of data in different formats like tables and charts. The data has been analysed on two scales. The first analysis shows the individual factors and the second analysis pertains to multiple factor or combination of factors.

The last chapter is devoted to the conclusions drawn on the basis of the analysis. The chapter is appended by references and bibliography.
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