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**A STUDY ON THE COMPENSATION
STRATEGIES USED TO MOTIVATE EMPLOYEES
BY PUBLIC AND PRIVATE BANKS**

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A Study on the Compensation Strategies Used To Motivate Employees by Public and Private Banks

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Abstract – Business strategy associated with rewards and motivation towards job satisfaction has resilient effect on success of the organization. The connections between rewards, motivation and job satisfaction of employees are strategically significant to the success of public and private organizations. Economic rewards are most important to private sector employees. Only limited researchers have found no significant differences in the opposite direction.

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INTRODUCTION

Gabris and Simo (2005) found no significant differences for 20 motivational needs, containing the need for monetary rewards. And Crewson (2007) establish related outcomes when data was restricted to one occupational group, i.e. engineers. Maidani (2001) even concludes that public sector employees rate extrinsic factors, such as pay, as more important than the private sector employees.

Motivation is a factor that exercises a powerful force on our activities and exertion. According to Baron (2003), motivation is an accretion of diverse practices which effects and directs our behavior to accomplish certain particular goal. It is like a vigorous in the current environment that clearly produces and incorporates an optimistic influence on job. Motivation relay on a certain intrinsic and extrinsic features that are collaborated with positive results in abundantly devoted employees. Tangible incentives are functioning in growing performance for assignment that not completed earlier, to in spire as thinking smarter and support both quality and quantity to accomplish organizational goals (Board, 2007). Moreover, incentives and rewards factors are the most favored factors for the employee motivation.

However, Lewis and Frank (2002) found an elusive difference: respondents who give importance to high income are more likely to prefer private sector employment but less likely to work for the public sector. The unique employees' rewards, motivation and job satisfaction helps to create unique (Boxall and Purcell 2003) and vibrant capabilities level to drive competitiveness for public and private organizations (Cappelli and Crocker-Hefner 2009). Board (2007), described that tangible incentives are effective in

increasing performance for work assignment that not completed before and encourage effectively thinking which assist both quality and quality in achieving goals. Incentives, rewards and recognition are the major aspects that influence on employee motivation.

Today employees are involved in their working activities which are for their benefits and feel intrinsic motivation in their behaviors' as their activities are enjoyable and satisfactory (Vansteenkiste 2005).

STRATEGIES USED TO MOTIVATE EMPLOYEES REWARDS

The Word rewards state the benefits that workers receive from their jobs and significant elements of employee job attitudes such as organizational commitment, motivation and job satisfaction.

In any organization, rewards play an important role in building and sustaining the commitment among employees that ensures a high standard of performance and workforce constancy. According to the individual-organization exchange theme, individuals enter organizations with specific set of skills, desires and goals, and expect in return a decent working environment where they can use their skills, satisfy desires, and attain their goals.

Mostly organizations have increased the substantial improvement by entirely complying with the organizational strategy by a well-balanced reward and recognition programs for employee. Reward refers to all categories of financial benefits, tangible services and benefits that an employee receives as part of employment relationship with the organization.

Lawler (2003) described that there are two aspects that decide how much a reward is attractive, the quantity of reward which is provided and the weight age an employee gives to a specific reward. Employees are certainly closer to their organizations and perform better job, while they receive healthier reward and recognition in their organizations. Rewards increase the level of efficiency and performance of the employees on their jobs and in the result thereof increase the success of the organization.

Generally employees' job description and job specification determines rewards to maintain fairness among employees within an organization and competitive in the marketplace (Zaini et al. 2009). Organizational rewards means all the benefits i.e. financial and non-financial that an employee receives through their employment relationship with an organization (Bratton and Gold 2004, Malhotra et al. 2007).

According to the literature the rewards distinguishes into three main types that individuals seek from their organization i.e. extrinsic, intrinsic and social rewards. Extrinsic rewards are the physical benefits provided by the organization such as pay, bonus, fringe benefits and career development opportunities. Intrinsic rewards refer to the rewards that come from the content of the job itself, and encompass motivational characteristics of the job such as autonomy, role clarity and training. Social rewards arise from the interaction with other people on the job and may include having supportive relationships with supervisor and coworkers.

Ali and Ahmed (2009) established that there is a substantial affiliation between reward and recognition, and similarly in employee motivation and job satisfaction. Study exposed that if rewards and recognition offered to employees then there would be a substantial modification in work motivation and satisfaction.

MOTIVATION

Motivation stems from the Latin word *move*, which means to move or to carry. Motivation is the force that constantly induces to move and perform things. The most practical definition proposed by social scientist that, motivation is a psychological processes that origin the stimulation, direction, and persistence of behaviour.

Many authors add a voluntary component or goal directed emphasis to that definition. Thus motivation becomes those psychological procedures that cause the arousal, direction, and persistence of voluntary actions that are goal directed. The features such as incentives and rewards are the most favoured factors for employee motivation programs. However, the performance of employee job satisfaction is an imperative motivator and an arrangement of psychological and environment circumstances.

Motivation programs are the key component of incentives, rewards and recognition as different organizations correlate success factor with employee performance. Employees are completely motivated when they achieved their needs.

Kiviniemi et al. (2002) described that job satisfaction of the employees' increase by the rewards they receive from the organizations. Pay and promotion depends on performance and provide strong motivation for employees to work harder in order to be promoted (Lepak and Snell 2009).

In any organization, the exceptional performance is possible with great committed employees that can merely achieved by employee motivation. Chiu et al. (2002) highlighted that organization implements merit pay system to reward employees for meeting specific goals, which can affect employee motivation levels. However most of the organizations gained the immense progress by fully complying with their business strategy through a well-balanced reward and motivation programs for the employee. In the existing vibrant environment the extremely motivated employees provide their services as a synergy for achievement of organizational goals, business strategies, high proficiency, growth and performance. Motivation is similarly compulsory when the employee of an organization has not a good relationship pattern.

JOB SATISFACTION

Job satisfaction is a sensation that employees have about their work environment and their expectations towards work. Thus, job satisfaction can be recognized as what one wants or values from a job.

Different kinds of satisfaction lead to diverse objectives and behaviors' that ascend from different types of motivation in getting different types of rewards. Rewards with their aftermath relationship were expected to establish on satisfaction of the employee with their organization.

Amabile et al. (2004) concluded that employee who reveals high job satisfaction is motivated by rewards, and rewards supported work engagement. According to Zaini's (2009) satisfaction of rewards in public and private sector employee has been established certainly associated with job satisfaction. Furthermore, Zaini et al. (2009) and Chew (2005) preceding research found that job satisfaction is associated with the monetary compensation (pay, promotion, and bonus) and non-monetary compensation is one of the most important explanatory variables in both sectors (A. Furham et al. 2009).

Organizations like banking sector have determined a balance between the performance of the employees and their commitment to the work which in result of job satisfaction. Reward and motivation are the two main factors that have an effect on the job satisfaction and motivation of employees. In reference to statistics,

there is a significant relationship between reward and recognition, and between motivation and job satisfaction.

Providing the financial benefit to employees without any prominent expression also loses its importance. Rewards have a direct link with the motivation and job satisfaction of the employees. Variations in rewards and recognition can bring a positive change in work motivation and job satisfaction of the employee.

Smith et al. (2009) defined the job satisfaction as the level to which an individual has a positive attitude towards his job, either in general or towards a specific dimension. The attitudinal type of job satisfaction suggests that an individual would attempt to stay with a satisfying job and quit a dissatisfying job. Different studies treated job satisfaction as a predictor of significant behavioral outcomes, such as determined to leave, turnover, and absenteeism. The considering role of job satisfaction has also been inspected by several researchers. It has been an utmost researched topic and thousands of studies have been conducted on this single topic to measure the job satisfaction of industrial workers, teachers, bank officers, administrators, and managers in a variety of undertakings the world over.

METHODOLOGY

Present research emphases on the Private and Public banks of India. A newly established questionnaire was used for this study which was retested for better results. For the study simple random population of 118 employees were selected out of which 351 respondents completed the survey questionnaire with response rate of 62%. The sample included 68% male and 32% female. This high ratio of male participation is because of easy access to males than females in Saudi society. 43% were aged between 25 to 40 years; however, only 40% had upper secondary school qualification because most of the respondents were performing non-managerial roles. 28% has been working for 4 to 5 years.

Table 1

| | Mean | S.D | Reward | Motivation | Job Satisfaction |
|------------------|------|-----|--------|------------|------------------|
| Reward | 3.18 | .86 | (.91) | | |
| Motivation | 3.96 | .74 | .32** | (.89) | |
| Job Satisfaction | 3.32 | .76 | .68** | .27** | (.90) |

**Correlation is significant at $P < 0.01$

RESULT AND DATA ANALYSIS

In the maximum score out of five, rewards, motivation and job satisfaction has a mean value of 3.18, 3.96 and 3.32 respectively. The results demonstrate that employees of private and public sectors in different

banks are moderately rewarded, motivated and gratified in their organizations. The standardized Cronach's alpha is shown in Table 1 for reward, motivation and job satisfaction which are .91, .89 and .90 respectively that reflects satisfactory and acceptable internal consistency reliability for all three variables as greater than .75.

CONCLUSION

Our analysis concluded that the degree of rewards, motivation and job satisfaction of employees has a strong relationship in the banking sector of India. From different research, it has been found that employees in banking sector give more importance to economic or financial rewards (Karl and Sutton 2008, Houston 2000). So, if reward is increased, the incremental variance in employees' motivation for public and private banks was 31%. Peretomode (2001) recommended that greater the prestige of the job, higher the job satisfaction.

According to Lin (2007) argued that organizations with emphasis on autonomy and co-workers strong relationship were practiced high job satisfaction. Autonomy received extrinsic rewards offered to employees (Kiviniemi et al 2002). However, according to Malhotra et al (2007) autonomy indicates the ability of the employees to determine the direction in which they carry out their job. Hence, rewards must best rategically readjusted to attain the organizational goals, boost employee's motivation to perform their job better and enhance satisfaction with their jobs.

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