



## COMPENSATION AND BENEFITS FOR EMPOLYEES IN BANKING SECTOR (With Reference To SBI & Axis Banks at Guntur, A.P.)

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### ABSTRACT

**Introduction:** *Indian Banking industry had experienced tremendous growth, technological improvement and stiff competition among the banks. Banks used telecommunication and information technology to improve their services with automated teller machine, internet banking, mobile banking, debit and credit cards and other form of services. Recent trends in banking industry have led to the changes of bank management style resulting in more qualified professionals to enter the banking industry. Nevertheless, bank employees need to maintain their excellent performance standard in such competitive working environment via career satisfaction.*

**Objective of the Study:** *The aim of study is to analyze the effect of Compensation and benefits on employee's performance in Banking industry with reference to State Bank of India and AXIS banks at Guntur District, Andhra Pradesh.*

*To understand various Compensation and benefits factors play crucial role for bringing employee performance among the employees of private and public banks.*

*This study provides a guideline for necessary Compensation structure requires improving employee performance in banking sector.*

**Method of the Study:** *As people are the most important resource and greatest expense of any service organizations. In terms of Indian context, the concern over compensation & benefits is gradually becoming a common talk. However, about 85% of performance problems reside in the work environment of the organizations. It is an empirical method based on both*

*primary and secondary data. A random sampling technique was adopted to select the sample respondents. Respondents for the study are selected from State Bank of India and Axis Bank companies. Among 700 employees nearly 30% of the employees working in the Banking companies are selected as per random method. Accordingly 200 employees were selected from both the banking companies.*

*This research work will help the public and private sectors for better understand the expectations of employees for their survival and success in providing better compensation & benefits. This research work also helps in different industries at managing and improving their functioning by providing good compensation scale in the work place.*

**Conclusion:** *The aim of the present study is to investigate the Standardization of compensation and benefits among employees of banking sector. It is not a single factor which determines the job performance in banking employees'. Factors like work overload, benefits, ambiguity, pressure, confliction etc. are responsible for job performance. Compensation & benefits has become leading feature of modern life. It has wide-ranging effects on employees' behavior and adjustments as well as off the job. A substantial portion of organization research involves the study of Compensation & benefits among employees.*

**Keywords:** Compensation, Job Performance, Benefits, Banking, Employees and Rewards.

## **INTRODUCTION**

Indian Banking industry had experienced tremendous growth, technological improvement and stiff competition among the banks. Banks used telecommunication and information technology to improve their services with automated teller machine, internet banking, mobile banking, debit and credit cards and other form of services. Recent trends in banking industry have led to the changes of bank management style resulting in more qualified professionals to enter the banking industry. Nevertheless, bank employees need to maintain their excellent performance standard in such competitive working environment via career satisfaction.

In relation to employee performance, Compensation and benefits practices were perceived as influencing factor. Compensation and other benefits is a component of putting people and organization together to ensure the individual and organizational goals and targets are met. One of the main objectives of Compensation is to enhance the performance contribution of individuals towards the organization in a more ethical and responsible manner. There are several other practices in an organization which commonly used to

improve the employee performance. They are training and development, performance management, job analysis, employee and employer relations, recruitment or selection. In the present study compensation and benefit were selected as the predictors of Employee Performance owing to the fact that they were perceived as innovative practices (Blazovich, 2013).

This research attempts to study the Compensation and benefits of Bank employees where he/she can get job satisfaction and sustain in their career as Banking Professional by accepting the factors associated with it. The co- existence of Public Sector and Private Sector Banking Institutions has become demand of the time and the role of Bank employees is inevitable in shaping of the future of the Institution and the Country being service Industry. Hence, the study is carried out with the Bank employees belonging to Public Sector and Private Sector Banking Companies of Guntur District. Accordingly the Banking Industry which is one Industry that determines the country's economy should develop the desired environment for the Bank employees to enhance their job satisfaction.

## **COMPENSATION & BENEFITS CONCEPTUAL BACKGROUND**

Employee compensation plays such a key role because it is at the heart of the employment relationship, being of critical importance to both employees and employers. Employees typically depend on wages, salaries, and so forth to provide a large share of their income and on benefits to provide income and health security. For employers, compensation decisions influence their cost of doing business and thus, their ability to sell at a competitive price in the product market. In addition, compensation decisions influence the employer's ability to compete for employees in the labor market (attract and retain), as well as their attitudes and behaviors while with the employer.

Employee compensation practices differ across employment units (e.g., organizations, business units, and facilities) on several dimensions (Gerhart & Milkovich, 1990, 1992; Gerhart, Milkovich, & Murray, 1992<sup>1</sup>). The focus of the employee compensation literature has been on defining these dimensions, understanding why organizations differ on them (determinants), and assessing whether such differences have consequences for employee attitudes and behaviors, and for organizational effectiveness.

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<sup>1</sup> Gerhart, B., Milkovich, G.T., & Murray, B. (1992). Pay, performance, and participation. In D. Lewin, O. Mitchell, & P. Sherer (Eds.), *Research Frontiers in Industrial Relations*, pp. 193-238. Madison, WI: Industrial Relations Research Association.

## **Compensation & Benefits**

The compensation and benefits processes belong to most important HR Processes, which are critical for the organization and modern HR organization. The compensation and benefits is about managing the personnel expenses budget, setting the performance standards, setting the transparent compensation policies and introducing the competitive benefits for employees. The organization with effective compensation and benefits drives its personnel costs, manages the performance of employees and rewards the extraordinary performance.

## **SIGNIFICANCE OF THE STUDY**

Banking Industry was chosen as the study because that this would support for typicality. More importantly this selection was the concern for purposive attributes, as this study concerns itself with the particulars of Compensation & benefits of the employees. The findings in this study are significant that they provide insight into the complexity of employee Satisfaction in banking companies and their employees' work life. Furthermore, they show that there are many factors that can potentially impact on the Job Performance of the employees. The study also supports the idea that the well-being of the employees serious consideration by the decision makers of banking companies' managements.

## **REVIEW OF LITERATURE**

Syed and Yah (2012<sup>2</sup>) defined compensation and benefits as a package that includes pay, rewards, bonuses, commissions, annual leaves, recognitions, flexible working hours, medical coverage and etc.

Blazovich (2013<sup>3</sup>) found that the absences of recognition and compensation system are potential causes for low career satisfaction.

Riska et al. (2015<sup>4</sup>) studied the relationship between compensation and organization performance in a certain industry and discovered that there is a positive relationship between the two variables. They further went on to suggest that, in the talent force-dependant industries, compensations and benefits are significant to attract and retain skillful talents. Companies should offer compensation plans with appropriate appraisals and training and

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<sup>2</sup> Syed, N., Yah, L. (2012), Impact of high performance human resource management practices on employee career satisfaction: Empirical analysis. *Interdisciplinary Journal of Contemporary Research in Business*, 4(2), 318-342

<sup>3</sup> Blazovich, J.L. (2013), Team identity and performance – Based compensation effects on performance. *Team Performance Management: An International Journal*, 19(3), 153-184.

<sup>4</sup> Riska, E., Aaltonen, L., Kentala, E. (2015), Young Specialists' Career Choices and Work Expectations. *International Perspectives on Equality, Diversity and Inclusion Gender, Careers and Inequalities in Medicine and Medical Education: International Perspectives*. P127-150.

development as a combination package for high performance employees to increase their career satisfaction.

Tu et al. (2016<sup>5</sup>) found that increment in salary had a great impact on employee turnover rate and that the impact is greater on high performers. High-performing workers who are offered tremendous increment in their salary have lower tendency to leave the organization. Coupled with equitable promotion opportunities and adequate compensation, it is viewed as a strong predictor of career satisfaction and able to curb turnover rate in one industry.

## **STATEMENT OF THE PROBLEM**

Employees working in service industry around the country face a host of problems commonly cited include a lack of adequate differentiation between good and poor performers, employee and supervisor resistance, and the fact that merit increases sometimes seem to have become viewed as an entitlement by employees that is costly, and does not vary with business performance. Individualistic programs such as merit pay could be a problem in cultures where collectivism is a stronger norm than individualism. Some service sector organizations seek to avoid this "problem" by setting base pay at a higher level, and then sharing profits or stock with employees on top of their base salary during good years. Topping out of employees near the maximum would be very expensive under a banding system. Some organizations have implemented sub-bands or zones within bands to avoid this problem.

## **OBJECTIVES OF THE STUDY**

- The aim of study is to analyze the effect of Compensation and benefits on employee's performance in Banking industry with reference to State Bank of India and AXIS banks at Guntur District, Andhra Pradesh.
- To understand various Compensation and benefits factors play crucial role for bringing employee performance among the employees of private and public banks.
- This study provides a guideline for necessary Compensation structure requires improving employee performance in banking sector.

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<sup>5</sup> Tu, Y., Lu, X., Yu, Y. (2016), Supervisors' ethical leadership and employee job satisfaction: A social cognitive perspective. *Journal of Happiness Studies* 17(1), 1-17

## **HYPOTHESIS OF PRESENT STUDY**

In line with the objectives stated above, the following hypotheses were formulated and tested for the purpose of the study.

**H<sub>1</sub>:** There is no significant difference between the performance of employees regarding Compensation and benefits provided by the management

**H<sub>2</sub>:** There is no significant difference between the influencing factors of employees in their Compensation and benefits

## **METHODOLOGY OF STUDY**

### **Research Design**

In pursuance of the above mentioned objectives and hypotheses, the following methodology was adopted for the study. It is an empirical method based on both primary and secondary data. The first objective of the study was pursued by the collection and analysis of data from secondary sources whereas all the other objectives have been achieved by collection and analysis of primary data.

### **Sample Design**

A random sampling technique was adopted to select the sample respondents. Respondents for the study are selected from State Bank of India and Axis Bank companies. Among 700 employees 30% of the employees are working in the Banking companies are selected as per random method. Accordingly 200 employees were selected from both banking companies.

### **Data Collection**

The primary data was collected by conducting interviews with the selected employees in the various branches in Guntur district by using a structured interview schedule. The schedule consisted of few variables under the factors pertaining to Compensation and benefits. The researcher had developed a five point rating scale namely 'Strongly Disagree' - 1, 'Disagree' - 2, 'Neutral' - 3, 'Agree' - 4 and 'Strongly Agree' - 5 for rating the answers to the questions. The respondents were asked to give information on the five point rating scale.

Before the commencement of interview, a sample schedule was given to each respondent and a brief explanation (in English or Telugu) regarding the study was given to them. Each question/item in the schedule was asked by the interviewer to the respondent

employees. Care was taken to give sufficient time to the employees to think over and answer the questions. The respondents were encouraged to express their opinions and suggestions freely and frankly. Before the interview, the respondents were given an assurance that it was an independent and unbiased study and that their responses and opinions would not be disclosed to anyone so as to enable them to be frank, lucid and fearless in expressing opinions. The respondents were interviewed taking into account their time and availability and after obtaining permission from their employers.

## **LIMITATIONS OF STUDY**

Despite the fact that very reliable results that may also be generalized have been arrived at, the researcher would like to point out some unavoidable limitations that have entered into the study. They are stated below:

1. For measuring compensation & benefits five point factors have been considered. There may be other factors having impact on job performance which are not considered for this study.
2. More variables could have been included in the tentatively selected independent variable to make it more conclusive.
3. A comparison of the compensation & benefits among selected banking companies have not been made since any standard index of compensation & benefits have not been available
4. In some branch offices limited number of non-managerial employees was present comparatively to managerial employees.

## **RESULTS AND DISCUSSION**

For this study selected Companies were State Bank of India (SBI) and Axis Bank Private Limited (AXIS). SBI Company belongs to public sector and Axis Bank Company is private owned organizations. The selection intension behind this is to draw comparisons between public limited and private limited systems followed by management to bring availability of better compensation & benefits structure which results to Better Job Performance among employees in their respective organizations.

**Table 2.1: DATA ANALYSIS DEPICTS PERCENTAGE RESULTS BASED ON  
EMPOLYEEES OPINIONS:**

S.NO	Compensation & Benefits Attributes	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Adequate and fair compensation for work I do	28.5	40.5	19	7.5	4.5
2	Satisfied with health plan option	17	36.5	39	3.5	4
3	Satisfied with life insurance benefit	58	32	10	0	0
4	Satisfied with retirement plan benefit	11	30.5	45.5	10.5	2.5
5	Satisfied with number of days of vacations, sick & personal leaves	41	40	15	4	0
6	Overall, satisfaction with my paid time off	34.5	39.5	18.5	7.5	0
7	Satisfied with my expenses reimbursement option	31	32	20	11	6
8	Organization does a good job of linking rewards to job performance	28	26	32	8	6

Sources: Primary Data

Table 2.1 explains the result values using ‘simple percentage technique’ considering frequency of opinions of respondents regarding various considerable attributes of Compensation & benefits in the selected units of banking industry. The results exhibits that ‘Adequate and fair compensation for work they do’ is only 40.5% of them agreed is opinion by employees in the selected units, 39% of respondents opined as Agree towards ‘Satisfied with health plan option, whereas life insurance benefit is provided at 58% of they strongly agree. 45.5% of respondent’s share that retirement plan benefit is neutrally agreed, 41% of respondents strongly agree that they are Satisfied with number of days of vacations, sick & personal leaves, 39.5% of respondents agree that they have Overall, satisfaction with their paid time off is provided in their respective organizations, 32% of respondents said that they are agree with satisfaction on expenses reimbursement option. 32% of respondents said that they have Neutral satisfaction on with satisfaction on Organization linking rewards to job performance.

**TABLE: 2.2 DATA ANALYSIS DEPICTS MEAN AND STANDARD DEVIATION  
CALCULATIONS OF COMPENSATION AND BENEFITS**

Compensation & Benefits with reference to Banking Sector				
Mean	Standard Deviation(SD)	Variance (SD)	Population (SD) $\sigma$	Variance P value( $\sigma^2$ )
<b>3.79</b>	<b>0.317</b>	<b>0.100</b>	<b>0.296</b>	<b>0.088</b>

Table 2.2 shows the result of Mean, standard deviation, variance standard deviation, population standard deviation, p-value. This standard deviation statistical tool is used to analyze overall respondents of selected units for the study and to analyze the significant relationship among respondents about different attributes. The result shown here is 0.317 and it says as per standards there was significant relation on compensation benefits & satisfaction of employees followed by management of both selected banking units for the study. Compensation and benefits of the sectors under study shows that most of the employees expressed their satisfaction for the benefits provided by the management from their respective organizations. Majority of respondents said that their compensation structure is motivating at Agreeable level. Regarding basic pay and additional benefits most of the respondents expressed their considerable satisfaction only. Compensation benefits like basic pay is fairly compensating for work they do, Satisfied with health plan option, life insurance benefit, retirement plan benefit, number of days of vacations, sick & personal leaves, Overall satisfaction with my paid time off, expenses reimbursement option and Organization does a good job of linking rewards to job performance and so on are provided by selected units for the study is satisfied to Agreeable level is shared by respondents.

**TABLE: 2.3 – DATA ANALYSIS DEPICTS CO-RELATION COEFFICIENT & VARIANCE RESULTS BASED ON EMPOLYEEES OPINIONS**

<b>S.NO</b>	<b>COMPENSATION &amp; BENEFITS DETERMINANTS</b>	<b>CO-RELATION COEFFICIENT OF AMONG SELECTED BANKS</b>	<b>VARIANCES AMONG RESPONDENTS WITH IN SELECTED BANKS</b>
1	Adequate and fair compensation for work I do	0.76	207.6
2	Satisfied with health plan option	0.78	262.2
3	Satisfied with life insurance benefit	0.91	537.6
4	Satisfied with retirement plan benefit	0.77	293.7
5	Satisfied with number of days of vacations, sick & personal leaves	0.94	323.3
6	Overall, satisfaction with my paid time off	0.91	239.6
7	Satisfied with my expenses reimbursement option	0.88	117.6
8	Organization does a good job of linking rewards to job performance	0.26	186.2

Sources: Primary Data

From the table 2.2 it is inferred that data has been analyzed using techniques like correlation coefficient and variances among respondents in banking companies. The result shows regarding Compensation and benefits provided by the companies selected of the study in banking sector. Most of the respondent's views are positives for determinants like fairly compensating for work they do, Satisfied with health plan option, life insurance benefit, retirement plan benefit, number of days of vacations, sick & personal leaves, Overall satisfaction with my paid time off, expenses reimbursement option. But from the result table it inferred that job of linking rewards to job performance is not at all provided by management in their branches. It is also understood that variance opinions among employees in both companies are less significant difference only.

## **TESTING OF HYPOTHESIS**

Having made a sagacious effort to study the role of Compensation & benefits with special reference to "SBI & AXIS Banks", the hypothesis formulated have been tested and proved.

H1: There is no significant difference between the performance of employees regarding Compensation and benefits provided by the management

There is significant relationship between the performance of employees of SBI & AXIS bank branches in selected areas under study and factors of compensation & benefits like fairly compensating for work they do, Satisfied with health plan option, life insurance benefit, retirement plan benefit, number of days of vacations, sick & personal leaves, Overall satisfaction with my paid time off, expenses reimbursement option in banking industry. Using 95% significance level, the result of T-calculated was 3.82 and T-Tabulated at 60 degrees of freedom is 2.00. Since T- calculated is greater than T-tabulated, we accept the null hypothesis and reject the alternative hypothesis.

H2: There is no significant difference between the influencing factors of employees in their Compensation and benefits

Regarding Performance of employees, it is found that the influencing performance factors of compensation & benefits are affected and is proved to be true of SBI & AXIS bank branches in selected areas under study and factors of performance linking rewards to job performance. Using 95% significance level, the result of T-calculated was 3.23 and T-

Tabulated at 60 degrees of freedom is 2.00. Since T- calculated is greater than T-tabulated, we accept the null hypothesis and reject the alternative hypothesis.

## RECOMMENDATIONS OF THE STUDY

**Compensation policy** should be in line with the business strategy, objectives, values and long-term interests of the financial undertaking, such as sustainable growth prospects, and be consistent with the principles relating to the protection of clients and investors in the course of services provided.

Where **compensation includes** a variable component or a bonus, remuneration policy should be structured with an appropriate balance of fixed and variable remuneration components. The appropriate balance of remuneration components may vary across staff members, according to market conditions and the specific context in which the financial undertaking operates. Member States should ensure that remuneration policy of a financial undertaking sets a maximum limit on the variable component.

The **fixed component of the** compensation should represent a sufficiently high proportion of the total remuneration allowing the financial undertaking to operate a fully flexible bonus policy. In particular, the financial undertaking should be able to withhold bonuses entirely or partly when performance criteria are not met by the individual concerned, the business unit concerned or the financial undertaking. The financial undertaking should also be able to withhold bonuses where its situation deteriorates significantly, in particular where it can no longer be presumed that it can or will continue to be able to carry out its business as a going concern.

Where a **significant bonus is awarded**, the major part of the bonus should be deferred with a minimum deferment period. The amount of the deferred part of the bonus should be determined in relation to the total amount of the bonus as compared to the total amount of the remuneration.

The **structure of the compensation** & benefits policy should be updated over time to ensure that it evolves to meet the changing situation of the financial undertaking concerned.

Where **compensation is performance related**, its total amount should be based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the financial undertaking. The assessment of performance should be set in a multi-year framework in order to ensure that the assessment process is based on longer term performance and that the actual payment of bonuses is spread over the business cycle of the company. The measurement of performance, as a basis for

bonus or bonus pools, should include an adjustment for current and future risks related to the underlying performance and should take into account the cost of the capital employed and the liquidity required.

## CONCLUSION

The aim of the present study is to investigate the Standardization of compensation and benefits among employees of banking sector. It is not a single factor which determines the job performance in banking employees'. Factors like work overload, benefits, ambiguity, pressure, confliction etc. are responsible for job performance. Compensation & benefits has become leading feature of modern life. It has wide-ranging effects on employees' behavior and adjustments as well as off the job. A substantial portion of organization research involves the study of Compensation & benefits among employees. A large number of problems related to employee satisfaction, declining levels of performance and competence is related to lack of appropriate compensation & benefits. Maximizing Job Performance in the future would be part of company policy and be seen as an imperative strategy to target better employee satisfaction. Job of linking rewards to job performance is not provided by bank management in selected units which also effects employee's performance in time management system, as majority of respondents opined that they have not satisfied for retirement plan benefit which results to dissatisfaction among employees.

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