

Determinants of Employee Engagement in Banking Sector: A Multivariate Study in Central Chhattisgarh

Richa Aishwarya Jogi,

Research Scholar
Pt. Ravishankar Shukla University, Raipur

Dr. AK Srivastava,

Professor & Director, Institute of Management
Pt. Ravishankar Shukla University, Raipur

Abstract

Employee Engagement has become as an important challenging task for the organisations in the recent few years. Almost all the industries have given proper space to Employee Engagement but banking sector has focused on this aspect with greater emphasis as the turnover rate of employees is comparatively high in this sector. So it is a matter of interest for conducting a research on the determinants of Employee Engagement in Banking Sector.

This paper aims at identifying the determinants of Employee Engagement and finding out their impact on Employee Engagement. A study has been conducted on private banks in central Chhattisgarh through multivariate analysis. The study is expected to contribute to the human resources policy makers of bank organisations so that the retention and performance of the employees may be enhanced.

Keywords: Employee Engagement, Employee Communication, Employee Development, Co-Employee Support, Banking Sector

Introduction

Employee engagement is rightly viewed as a key aspect of productivity. It makes sense that the enthusiasm and interest which fully engaged employees bring to their work each day would be directly tied to both a more unified workplace culture and the extra efforts, better ideas and innovations that make organizations thrive. Many organizations have limited their hiring in recent years due to a slow economic recovery and uncertain economic conditions, making employee engagement even more important as staff try to do more. Keeping this in mind it is essential to understand the cultural aspect, management and other factors that influence employee engagement as a part of HR's strategic role. The importance of employee engagement is clear when looking at the differences in performance between work teams with high and low levels of employee engagement. Gallup (2013) finds that employee engagement program is powerful evidence of the impact of employee engagement on the bottom line. The *State of the American Workplace: Employee Engagement Insights for U.S. Business Leaders* report finds that "engaged workers are the lifeblood of their organizations." This is more evident in the case of banking industry.

Indian banking system has emerged as a vibrant sector in the Indian economy. Strong regulatory mechanism, inherent strength in the economy, and progressive policy framework which supports, nurtures, and helps in growing the financial institutions. There has been amazing growth in profits in our banking industry over the last two decades. The banking sector index has grown at a compounded annual rate of 51% since the year 2001 (Anjum and Tiwari, 2012).

By 2013 the Indian Banking Industry employed 1,175,149 employees and had a total of 109,811 branches in India and 171 branches abroad and manages an aggregate deposit of 67504.54 billion (US\$1.1 trillion or €840 billion) and bank credit of 52604.59 billion (US\$830 billion or €650 billion). The net profit of the banks operating in India was 1027.51 billion (US\$16 billion or €13 billion) against a turnover of 9148.59 billion (US\$140 billion or €110 billion) for the financial year 2012-13 (Reserve Bank of India).

The banking sector in India is on a growing trend. It has vastly benefitted from the surge in disposable income of individuals in the country. There has also been a noticeable upsurge in transactions through ATMs, and also internet and mobile banking. Consequently, the different banks, via public, private and foreign banks have invested considerably to increase their banking network and thus, their customer reach. The banking industry in India has the potential to become the fifth largest banking industry in the world by 2020 and third largest by 2025 according to a KPMGCII report. Over the next decade, the banking sector is projected to create up to two million new jobs, driven by the efforts of the RBI and the Government of India to integrate financial services into rural areas. Also, the traditional way of operations will slowly give way to modern technology.

Chhattisgarh Banking & Finance plays a significant role in the overall progress of the economy of the state. Banking sector of the state involves a wide gamut of operational transactions such as cash withdraw and deposit various types of loans, acceptance and encashment of cheques, among many others. The government of Chhattisgarh has its own department of finance which deals with a number of nonbanking activities too. From regular appraisal of receipt and expenditure to declaration of state budget, the finance department of Chhattisgarh also looks into the pension related issues of the people of the state. Another important service provided by the department is the issue of circulars regarding various amendments and new improvements in the financial sector of the state. This helps in keeping the concerned sectors updated about the latest happenings in the banking industry (Chhattisgarh

Economy).

This brief industry scenario suggests that there is enormous prospect in banking industry and so there is an urgent need to work upon important concern like Employee Engagement.

Literature Review

Employee engagement is the level to which employees feel motivated and involved in their workplace. Job responsibilities, work relationships and growth opportunities are among primary internal factors affecting engagement. External factors include competing career opportunities, along with family and social obligations (Kokemuller, 2010).

Employee Engagement is the extent to which employees put discretionary effort into their work, in the form of extra time, brain power and energy. The cognitive aspect of employee engagement concerns employees' beliefs about the organization, its leaders and working conditions. The emotional aspect concern show employees feel about each of those three factors and whether they have positive or negative attitudes toward the organization and its leaders. The physical aspect of employee engagement concerns the physical energies exerted by individuals to accomplish their roles. Thus, engagement means to be psychologically as well as physically present when occupying and performing an organizational role (Kahn, 1990). Engaged employees are those who are totally absorbed in their work, working longer and harder, taking on additional assignments and all focused on the needs of the organisation (Ruyle, Eichinger & De Meuse, 2009).

Employee engagement is a relatively new concept in the academic community but has been heavily promoted by consulting companies (Wefald & Downey 2009). Scholars and practitioners in the HRM field tend to agree that the fundamental concept of engagement may help explain behaviour at work, but they present different definitions of it.

Much research had noted that there is a need for clarification and communication of organizational goals and objectives among all employees. Supporting this view, CIPD (2006) survey reported that the two most significant driver of employee engagement are having opportunities to have their voice held and feeling well informed about what is going on in the organization. Communication also encompasses that employee receives feedback about their performance.

Wellins and Concelman (2005) noted that organizations can enhance engagement in their workforce by creating a learning culture and creating individual development plans for every employee. Many studies had shown that most employees want to keep their jobs inventive and interesting by acquiring new knowledge and skills and applying new approaches in their daily work life.

Working in a lean organization with highly talented

and co-operative co-employees has been conceptualized as an essential requirement for high level of employee engagement. If the entire organization works together by helping each other learn new approach and better ways of accomplishing task, a higher productivity is expected.

Research Question

Do the variables Employee Communication, Employee Development and Co-Employee Support have a significant impact on Employee Engagement in private banks?

Hypothesis

H₁: Employee Communication has a significant impact on Employee Engagement in Banking Sector;

H₂: Employee Development has a significant impact on Employee Engagement in Banking Sector; and

H₃: Co-Employee Support has a significant impact on Employee Engagement in Banking Sector.

Framework of the Study

Conceptual Framework

The study has been conducted on partial recursive model. The Employee Engagement has been taken to be Endogenous Variable Explained by Employee Communication, Employee Development and Co-Employee Support as Exogenous Variables.

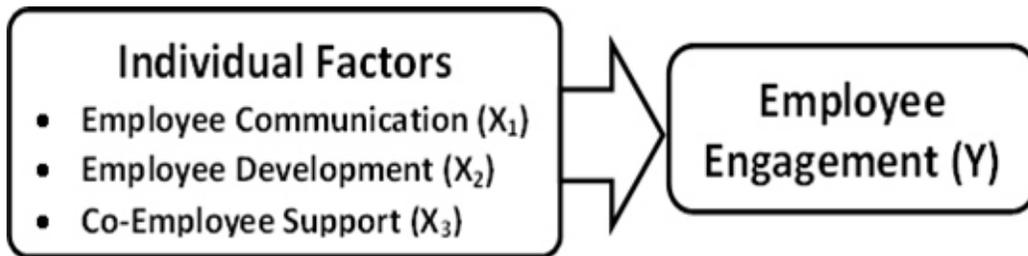


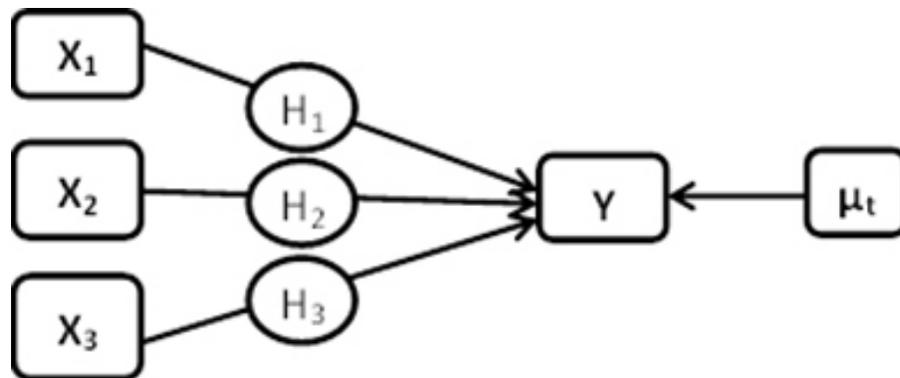
Figure 1

Mathematical Framework

$$Y = f(X_1, X_2, X_3)$$

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu_t$$

Structural Framework



Figure

Research Methodology

The study has been organised through multivariate analysis. The data used for the study is of primary source which has been collected through questionnaire. The opinion of the respondents has been collected on 7-points Likert's Scale. The opinion has been taken from the bank employees of almost similar category which suggests the homogeneity of the elements. So, the stratified random sampling method has been used. Since

the dependent variable could have been manipulated in terms of categorical data, the Discriminate Analysis Method has been used to evaluate the impact of exogenous variables on the endogenous one. The analysis will help in developing human resource strategies for the banking organisation towards increasing the performance and retention of the employees. All the above tests and analyses have been conducted on 5% level of significance.

| Research Plan | | Sample Plan | |
|-----------------|---------------------------|-----------------|----------------------------|
| Research Design | Causal | Sampling Design | Stratified Random Sampling |
| Instrument | Structured Questionnaire | Sample Size | 100 |
| Scale | 7 – Points Likert’s Scale | Location | Central Chhattisgarh |
| Data Source | Primary | | |

Data Analysis

Discriminate function analysis is a statistical analysis to predict a categorical dependent variable known as grouping variable by one or more continuous or binary independent variables (called predictor variables).

It is a generalization of Fisher's linear discriminate, a method used in statistics, pattern recognition and machine learning to find a linear combination of features that characterizes or separates two or more classes of objects or events. The resulting combination may be used for dimensionality reduction before later classification with

$$\text{Group} = a + b_1x_1 + b_2x_2 + \dots + b_mx_m$$

| | Wilks' Lambda | F | df1 | df2 | Sig. |
|----------------|---------------|--------------|-----------------------|-----|-------|
| X ₁ | 0.915 | 9.051 | 1 | 98 | 0.003 |
| X ₂ | 0.927 | 7.736 | 1 | 98 | 0.006 |
| X ₃ | 0.949 | 5.292 | 1 | 98 | 0.024 |
| Eigenvalues | | | | | |
| Eigenvalue | % of Variance | Cumulative % | Canonical Correlation | | |
| 0.148 | 100.0 | 100.0 | 0.360 | | |
| Wilks' Lambda | | | | | |
| Wilks' Lambda | Chi-square | df | Sig. | | |
| 0.871 | 13.357 | 3 | 0.004 | | |



Figure – The Outcome of the Study

Interpretation and Discussion

The analysis has been conducted through Multiple Discriminate Method as the model is partial recursive model with categorical dependent variable. The p values of X_1 , X_2 and X_3 are less than 0.05 (Table 1). Hence, all the three research hypotheses H_1 , H_2 and H_3 are accepted at 5% level of significance. This finding supports the assumption of the research that Employee Communication has a significant impact on Employee Engagement in Banking Sector. The liberty, facility and flexibility of the employee to communicate with higher authorities, immediate head, peers and juniors are the major factors of his involvement to his job. The finding also supports the assumption of the research that Employee Development has a significant impact on Employee Engagement in Banking Sector. If the employee has a perception of his individual development at work in terms of compensation, knowledge, position, status etc. his involvement to his work is supposed to be high. The finding also supports the assumption of the research that Co-Employee Support has a significant impact on Employee Engagement in Banking Sector. The support of co-employee, peers, colleagues, immediate superiors, juniors etc. is also a major factor for the involvement the employee to his work.

The Canonical Correlation is just 0.36 with Eigen Value 0.148 (Table 1) with suggests that the explanatory variables are not correlated and there is no chance of co linearity which is in the favour of accuracy and relevance of model.

The Wilks' Lambda of each individual variable is greater than 0.90 and overall Wilks' Lambda is 0.871 which indicates that the three explanatory variables viz., Employee Communication, Employee Development and Co-Employee Support are major factors of employee engagement in banking sector.

Conclusion

The study has been conducted on selected private banks in central Chhattisgarh. Three determinants viz. Employee Communication, Employee Development and Co-Employee Support were taken as the exogenous variables of Employee Engagement. The study reveals that these variables have significant positive impact on Employee Engagement in banking sector i.e., Employee

Engagement is directly proportionate to these variables. On the other hand, studies reveal that Performance and Retention are the functions of Employee Engagement. So, the Performance and Retention of employees can be enhanced if Employee Communication, Employee Development and Co-Employee Support are given due importance.

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