

NEW KEY TO EMPLOYEE RETENTION-INTRINSIC MOTIVATION: A STUDY OF PRIVATE BANKING SECTOR OF INDIA

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ABSTRACT

During the last few years, the private banking sector in India has seen tremendous growth and now is one of the important revenue generators in service sector. But with it the cases for employee dissent and dissatisfaction have witnessed a surge too at private banks in India. Despite providing hefty pay packages and comfortable working environment, the private banking sector is not able to withhold employees. The failures of employer-employee relations give rise to alarming attrition rates. Employee Retention is now the biggest challenge in front of private sector banks. The importance of humility at a leadership level cannot be overlooked as the aftermath of such a situation can result in an employee crisis. The purpose of this research paper is to understand the nature of intrinsic motivation which is now used at large to retain employees and to cut down the fast pace of employee turnover. For the purpose of this study, the technique of primary research has been used with a structured questionnaire and survey method. A sample set of 138 respondents from different hierarchy levels of private banks is used to understand the relative importance of intrinsic motivation for job satisfaction and employee retention.

Keywords: Attrition Rates, Employee Retention, Motivation, private sector banks.

INTRODUCTION

Banking in India has moved beyond accepting deposits and making loans, and has become a business, or a “financial supermarket,” driven by market-based, profit oriented objectives (Mohanty, 2008: 116; Uppal and Kaur, 2006; Vyas and Math, 2006). The wider impact of Indian private banks has been through increasing competitiveness and customer orientation in the banking sector. The ability to offer a wide range of services with a high level of quality is becoming the most common scheme used by banks to satisfy their customers and enable them to win a niche in the sector surrounded by stiff competition, since in the eyes of banks, customers good quality services could contribute to their positive perception as well as ever lasting impression and image of the banks, resulting in the development of a sense of patronage (Khan et al., 2010). It is, therefore, a challenge for management of private banks to motivate their employees in order that quality services are provided, and subsequently to satisfy the needs of their customers.

Nowadays, employee motivation is, therefore, used as a key factor to gauge the performance of a particular employee and an organization, a fact largely confirmed in the management, asserting that people are the most important organizational resource and the key to achieving high organizational performance.

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INTRINSIC MOTIVATION

Motivation is a concept which was researched with relevance to work environment. The concept of motivation was described by differentiating this concept of motivation into two main types: intrinsic and extrinsic motivation. Intrinsic motivation means the inner drive of an individual which provides energy or force to an individual to work for better outcomes. The individual who is intrinsically motivated is more autonomous and work for better outcomes like creativity, performance, and involvement. Means intrinsic motivation enhanced by working for challenging tasks and positive outcomes were received (*Deci and Ryan, 1985*).

Intrinsic motivation refers to motivation that comes from inside an individual rather than from any external or outside rewards, such as money or grades. This motivation comes from the pleasure one gets from the task itself or from the sense of satisfaction in task. An individual is said to be intrinsically motivated if the basic reward for an activity is going to be an activity itself. *Deci, (1975)* and *Deci and Ryan, (1985)* also reveal that there were many external rewards which show their influence on the intrinsic motivation. In the Maslow scale, the higher level needs were linked with the psychological health or not with the money or monetary rewards (*Becchetti et al., 2012*). In the human nature, no phenomenon clearly explains the impending and inclination of positive behavior as intrinsic motivation describes, it moves an individual from inside and gives energy for achieving the particular tasks. The construct of intrinsic motivation, the move towards the mastery, concern, adaptation and investigation and all these things are necessary for the development in the society. All these behaviors and needs do not require monetary rewards because all the employees also need satisfaction from their work or from their work environment irrespective of their pay-level. One more perspective was that employees sometimes refuse to perform particular task or work when their intrinsic motivation was low even if they get higher wages. Intrinsic motivation was related with the flow of the activity during the task in terms of involvement in the task and the relationships with the members (*Frey, 1997; Depedri et al., 2010*). The truth is far more complex and while the cynical continue to believe in the overwhelming supremacy of money, in its power to buy happiness and satisfaction, but in personal life or the workplace, a number of management thinkers, social scientists and corporate managers feel otherwise, advocating and using distinctly different HR philosophies and policies.

It is an undeniable fact that the future of business enterprise depends upon the satisfaction level of its workforce. Dissatisfied workforces cause immediate problems only to their particular businesses. However, if these problems are left inadequately attended, these have a tendency to spiral out including other businesses, industries and regions harming relationships, productivity, profits and finally also the creation of national wealth. Employee satisfaction is thought to be one of the primary requirements of a well run organization and considered an imperative by all corporate managements.

STATEMENT OF THE PROBLEM

In today's fast paced world of hyper competition, globalization and constant change, the organizations can not remain as only profit seekers. These can no longer neglect massive problem at hand i.e providing job satisfaction to their employees. 'Money' used to be the single scale with regards to job satisfaction in past, but now the focus has changed to intrinsic factors of job satisfaction like long-term growth prospects, empowerment, empathy, employee engagement programs, mentoring and guidance etc. This change of focus is made to create a loyalty, sense of belongingness and to build self-esteem in employees working at banks in India. All organizations which are competent enough to identify this change can keep their employees satisfied and also retain their employees working in banks in India for long duration. Employee satisfaction is generally considered as the driver of the employee retention and employee productivity. Satisfied employees are a precondition for increasing productivity, responsiveness, quality, and customer service. (*Kaplan,1996: 130*)

This paper is an attempt to seek the intrinsic factors which are important for employees working in banks in India that provides the job satisfaction. Research has been conducted to understand which is the most important factor among these intrinsic factors of job satisfaction to employees working at banks in India.

CURRENT SCENARIO IN INDIA

One in four employees in the organized sector in India is set to switch jobs, the highest attrition rate globally, according to a Hay Group study. The series of fresh investments planned across sectors could raise demand for talent even as economic conditions remain tepid, raising concerns on employee engagement and retention. Employee turnover was predicted to rise to 26.9% in 2013 with an employee base of 3 crore compared with 26% in 2010 with an employee base of 2.8 crore, according to the study, '*Preparing for Take-Off*' (2013), conducted in association with the Centre for

Economics and Business Research. It covered 700 million employees in 19 countries. Worldwide attrition is predicted at 21.2% in 2013 on an employee base of 71.6 crore compared with 20.3% in 2010 on an employee base of 64.4 crore. The number of workers expected to take flight will reach 161.7 million in 2014 - a 12.9% increase compared with 2012 - as growth builds and employment opportunities increase, according to this study. Comparatively, turnover was minimal between 2010 and 2012. In the next five years, 49 million employees will leave their employers globally.

In India, sectors like infrastructure and banking - where new players are entering the field - will continue to suck in talent. In infrastructure, nearly \$1 trillion of investment has been planned by the years 2018. With half of this expected from private financing, there will be huge demand for labor in India's finance, insurance, real estate and construction sectors - totaling 14% of employment in the organized sector - and raising turnover in these activities. This attrition rate is affecting private banks on large. HDFC bank's attrition rate of around 20 per cent is making its top management anxious. A study conducted by the Boston Consultancy Group shows that new private banks use front line sales staff on contract or on different terms resulting in a very high turnover with seven out of every ten employees quitting within a year. In the case of one private sector bank sales staff last only for a few months with a turnover of 180%.

The new generation private banks include the likes of ICICI Bank and HDFC Bank. Their branches have a relatively large proportion of their staff dedicated to sales. These include those involved in cross selling products of group companies such as mutual fund and insurance. According to the report, *'From five star to seven star in productivity'* prepared by Boston Consulting Group(BCG), banks are able to survive the attrition since the primary function of the high turnover staff is sales and they are not involved in operations. *"However, the employees interacting with customers during the sales process do not have a long term stake in the business. This creates a challenge in ensuring that proper promises are made to customers while soliciting business and that customers are on boarded well at the time of sale"* the report said.

The study seems to support this. Nearly 55% of Indian employees expressed concerns about the fairness of their compensation and the extent to which benefits meet their needs (48%). One in every three employees expressed concern over a lack of confidence in being able to achieve their career objectives with their current employers (37%); as a result, they are concerned about opportunities for learning and development (39%) and supervisory coaching for their development (36%).

Purpose of the Study

Current study will look at five different dimensions associated with Intrinsic Motivation. These dimensions include: career prospects, control, co-operation, employee engagement programs, and mentoring and guidance activities. Brief introduction to these factors are given below:

- i. **Career prospects:** Under this intrinsic factor of job satisfaction, employees try to identify the long term growth prospects of the future advancement, success or development in the grade, status and position of the employees provided by the organization. This factor is important for employees as this provide chance to move forward and grow with the organization and it also focus on the opportunities which are available to the employees in the organization.
- ii. **Control:** This is the intrinsic factor under which employees expect management to share information, rewards and power with employees so that they can take initiative and decisions to solve problems and improve service and performance. Empowerment in organizations is based on the idea of providing employees with skills, resources, authority, and opportunity, motivation as well holding them responsible and accountable for outcomes of their actions. This will contribute to their competence and satisfaction.
- iii. **Co-operation:** The ability to appreciate the feelings of a subordinate in a particular situation is called empathy. It is the ability to mutually experience the thoughts, emotions, and direct experience of others. Employees want organizations to be empathetic towards their needs and problems.
- iv. **Employee engagement programs:** Emotional connection an employee feels toward his or her employment organization, which tends to influence his or her behaviors and level of effort in work related activities. The more engagement an employee has with his or her company, the more effort they put forth. Employee engagement also involves the nature of the job itself such that if the employee feels mentally stimulated; the trust and communication between employees and management is strong; ability of an employee to see how their own work contributes to the overall company performance and results; the opportunity of growth within the organization; and the level of pride an employee has about working or being associated with the company. These

programs include managerial-employee discussions, outbound trips, occasional celebrations, external trainings, professional certifications etc.

- v. **Mentoring and Guidance:** Employee training system under which a senior or more experienced individual (the mentor) is assigned to act as an advisor, counselor, or guide to a junior or trainee. The mentor is responsible for providing support and feedback to mentees.

The current study will add to the body of research in the area of employee retention world across by developing a more comprehensive view of the intrinsic motivation and its relative importance in the life of employees by accessing a database of employees working in private sector banks in India and using a five dimension survey associated with job satisfaction. The current study will strengthen and continue to fill the research gaps to help better understand the intrinsic motivation factors associated with job satisfaction, thus providing evidence to support effective business decisions with workforce planning.

RESEARCH OBJECTIVES

1. To study Intrinsic motivation factors like providing job satisfaction to the employees working in Private Banks in India.
2. To identify the most important intrinsic motivation factor ranked by the employees.
3. To recommend / suggest ways for improving job performance of employees.

RESEARCH METHODOLOGY

The study is descriptive in nature and seeks to identify the intrinsic motivational factors which are important for the employees working in private sector banks in India. The main purpose of the study is to identify the most important intrinsic motivational factor for the employee retention in these private sector banks so as to reduce the current storm of employee turnover in private banks in India.

SCOPE OF THE RESEARCH

The scope of this research is limited to employees working in private sector banks in India

SAMPLE SIZE

The sample size was 138 respondents working in different private sector banks in India.

COLLECTION OF DATA

This study is based on survey method with primary data collection on the five dimensions of intrinsic factors of job satisfaction namely career prospects, control, co-operation, employee engagement programs, mentoring and guidance activities. A suitably framed questionnaire was prepared in this regard to identify the most important intrinsic motivational factor among the factors mentioned above. *The employees were asked to rank the above mentioned five factors from 1 to 5, giving rank 1 to the factor they believe is most important and 5 to the least important.*

FRAMEWORK OF ANALYSIS

Data collected is presented in tabular form and analysis has been done using simple percentage and mean score. **Multiple Factor Rank Method** has been adopted to check the most important intrinsic factor of job satisfaction for the employees working in various banks in India.

Table 1 - Analysis of Intrinsic Motivation factors ranked by Multiple Factor Rank Method

INTRINSIC FACTORS	RANK							
		1	2	3	4	5	Total	Average Ranking
Career Prospect	%	50	17.39	10.87	4.35	17.39		3.78
	Number	69	24	15	12	24	138	
Control	%	17.39	28.26	23.91	23.91	6.52		3.26
	Number	24	39	33	33	9	138	
Mentoring and Guidance	%	6.52	30.43	30.43	23.91	8.70		3.02
	Number	9	42	42	33	12	138	
Co-operation	%	8.70	10.87	21.74	19.57	39.13		2.30
	Number	12	15	30	27	54	138	
Employee Engagement And Development Activities	%	17.39	13.04	13.04	28.26	28.26		
	Number	24	18	18	39	39	138	2.63

FINDINGS OF THE RESEARCH:

Table 1 shows the findings of the study:

- The most important intrinsic motivation factor ranked by the employees working in private sector banks in India is the **career prospects**. By analyzing the first column, we can see that many people have also voted for **control** and employee engagement as their first preference.
- This is closely followed by need for **control**. People have a basic tendency to want to control what happens to them. So they want control at workplace also.
- Mentoring and guidance is also quite important as per the rank given by employees.
- Employee engagement and development activities is the fourth most important intrinsic factor of job satisfaction under study.
- Co-operation is ranked at number five i.e. the least important intrinsic factor for job satisfaction by employees working in banks in India.

CONCLUSION

Organizational productivity and success depends to a large extent on employee motivation and perception towards his or her work profile. Intrinsic motivation is related to internal satisfaction of a person which he or she derives from working with a particular company. The above stated factors of study are some of the most compelling reasons that lead people to quit in search of a more empowering and fulfilling work place. In such a situation, the management needs to take a frequent check on its leadership style and personality.

Through this study we have been able to understand the relevance of various intrinsic motivational factors. We

would like to conclude this study with some specific and some general recommendations for the various factors under observation.

Recommendations

- The private banks should provide more challenges and career opportunities to their employees to retain them. One in every three employees expressed concern over lack of confidence in being able to achieve their career objectives with their current employers (37 per cent).
- Training and development programmes must be provided to the employees at regular intervals to update their knowledge and skills.
- The kind of work given to employees should be according to his/her abilities and knowledge and their efforts for doing a particular task must be valued by giving appreciations and rewards to the employees for their hard work so that their level of motivation increases. Indian employees expressed concerns about the fairness of their compensation and the extent to which benefits meet their needs.
- Along with healthy environment, healthy relationship should also be maintained in an organization.
- The bank should provide certain benefits to their employees, so that they can perform well to achieve organizational goals.
- The job should be interesting enough, so that it must create enthusiasm among the employees.
- Enough freedom must be given to the employees to take important decisions.

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