

**A STUDY ON EMPLOYEES' PERCEPTION TOWARDS  
COMPENSATION MANAGEMENT SYSTEM IN SELECTED  
BRANCHES OF SBI OF UJJAIN DISTRICT****Voice of Research**  
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**Abstract**

*Employee satisfaction is one of the most important aspects in the organization that cannot be ensured without proper compensation management system. The present work is based on the study of Compensation Management System in selected branches of SBI. SBI being the largest nationalized bank needs strong compensation management systems so that it can achieve rapid growth at national as well as international level. The study aims at knowing whether current compensation policy is able to attract, retain & motivate employees or not, whether it is effective, whether the present employees are satisfied with current compensation policy or not, whether quality compensation policy is being maintained in SBI or not. Most of the employees feel that the present compensation policy is able to attract, retain and motivate employees. It is found that overall employee satisfaction with the current compensation policy of the bank is low. Psychological and self-actualization needs of employees are not satisfied properly. It is found that most of the employees feel that there is no match between individual objectives and objectives of compensation of bank. 35% employees are not satisfied with the quality of compensation policies. There is a proper Job Evaluation Plan at workplace and also employees feel satisfaction with current methods of compensation. There is effective audit procedure to check effectiveness of compensation policies. Staff in Bank is aware of the importance & needs for effective compensation policy. Needs for compensating employees are not identified on the basis of market trend and competition.*

**Keywords:** *Employees' Perception, Compensation Management System, SBI*

Competent Employees are the greatest assets of an organization. The proficiency of employees plays a vital role in the context of diverse challenges faced by the modern organizations. Compensation is the remuneration received by an employee in return for his/her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees. Compensation is an integral part of human resource management which helps in motivating the employees and improving organizational effectiveness. Compensation Management is an integral part of the management of the organization. Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction. To be effective, the managers must appreciate the value of competitive pay, their human resources, and have an investment view of payroll costs. Bhattacharya (2009) says that balancing the cost of compensation and retaining employees has now become the most important priority for today's organization (p.2).

**State Bank of India (SBI)** is a multinational banking and financial services company based in India. It is a state owned corporation with its headquarters in Mumbai. As at December 2012, it had assets of US\$501 billion and 15,003 branches, including 173 foreign offices spread over 34

countries making it the largest banking and financial services company in India by assets. Its products are- credit cards, consumer banking, corporate banking, finance and insurance, investment banking, wealth management. Its total employees in 2012 were 2, 92,215.

**Objectives**

To study whether the current compensation policy is able to attract, retain and motivate employees or not.

To study the employees' perception about the compensation management system of firm.

To understand the quality of compensation policy of the bank.

To understand the impact of compensation management on performance level.

To study relationship between compensation system and employees' job satisfaction.

To find out the types of compensation being given to employees.

To find out the factors that affect employee compensation in the banks.

To study the effectiveness of present system of compensation in banks.

**Rationale**

The purpose of this project is to study of the compensation management system of SBI. This study is conducted to know the current quality of compensation being provided to employees. It has now become



imperative for large size organizations like SBI to balance the cost of compensation and employee motivation (for retention) to survive in a competitive world. SBI has to remain ready to meet challenges arising due to global competition in banking sector, FDI policies of government in banking sector, internal competition from other nationalized banks, competition from domestic private banks as well as private international banks. SBI not only requires persons who are well qualified but also they can be retained in the organization. If the compensation policies and systems are designed properly to satisfy the needs of employees, SBI and other nationalized banks can compete and grow properly. It is the area of growing importance and thus research work is preferred on this topic. Not much work has been done related to this area. This inspired the researchers to opt this topic for study. The results can be beneficial to the organization concerned to review policies.

### **Review of Literature**

Bowra, Sharif, Saeed and Niazi (2012) found that the employee perceived performance and HR practices has the positive and significant relationship. The regression results indicate that the two HR practices: performance evaluation and promotion practices are significant but the compensation practices are not significant. Moreover, this study provides help for top-management of banking sector to design or revise their HR policies and make practices to attain high employee performance. Singh (2004) argues that compensation is a behavior aligning mechanism of employees with business strategy of the firm. Tessema and Soeters (2006) have concluded that positive correlation exists between employee performance and compensation practices. Shahzad, K., Bashir, S. and Ramay, M.I. (2008) found positive relationship of reward practices with the performance of university teachers in their research results. Researchers can build up assumption by the help of theoretical study that compensation practices are related with performance of employees. In Hong Kong, base salary, merit pay, year-end bonus, annual leave, mortgage loan, and profit sharing were the most important factors to retain and motivate employees. In China, base salary, merit pay, year-end bonus, housing provision, cash allowance, overtime allowance, and individual bonus were the most important factors to retain and motivate employees (Chiu, Luk, & Tang, 2002.) Reward and recognition programs can positively affect motivation, performance and interest within an organization. While a little more problematic, team-based incentives, if designed appropriately, can also encourage and support a range of positive outcomes (Milne, 2007.) Promotion and wages positively influence employees' work motivation. A comparison of the relative strengths of the effects reveals that fair promotion was a more powerful motivator than

wage level and wage increase. The reason why fairness in promotion was more effective than wage to motivate employees was discussed in light of the unique career system existing in Japanese companies and the agency problems between companies and their supervisors. (Takahashi, 2006) explores past and present attitudes of employees concerning work-related motivational factors. Understanding the factors that employees consider motivating lends insight to the rewards to which they more positively respond. It compares the results of four motivation surveys conducted in 1946, 1980, 1986 and 1992. The comparisons revealed that employees' motivational preferences vary over time. In addition, the results of the 1992 survey indicate that the factors that motivate today's workers are more extrinsic than they used to be. Although employees differ on how they rank these factors, they overwhelmingly selected "good wages" as the top motivator. A good wage is an extrinsic reward with intrinsic potency. On the surface "good wages" seem to be purely extrinsic. Yet, at a deeper level, monetary rewards communicate what the company values and affect employees' emotional and familial wellbeing (Wiley, 1997). Tahir, Ahmed, Sahoo, Ullah, Azam and Marwat (2011) concluded that Compensation Management has a profound direct positive relationship with employee motivation level and intrinsic factors played important role in the motivation process. Catanzaro (2001) described the effects of compensation over employee motivation; he stated that compensation has a profound effect over employee motivation. He also discussed several factors of compensation which include both intrinsic and extrinsic factors and their possible effects over motivation in detail. He also emphasized that monetary values are not the only motivators but non monetary factors have more importance towards motivating employees.

Sharma and Sharma (2011) concluded that in case of work content and recognition, managerial staffs were more motivated than operative staffs but in case of payment and general aspects operative were more motivated with higher mean value. Further of the study revealed promotion, payment, work content have no significant affect on the employees motivation with reference to gender.

### **Research Design**

The present study is descriptive in nature. It is primarily based on primary data. However, secondary data is also used for the purpose of study. Data through structured questionnaire with responses Yes, No and Can't say was collected from 71 employees who responded positively. Response rate of the respondents was 47%. Simple Random sampling method was used to collect data. Percentage method was used to analyze and interpret results and achieve research objectives.



S. No	Statement	Responses (in %)		
		Yes	No	Can't Say
1.	Current compensation policy is able to attract, retain & motivate talents.	59.15	19.71	21.12
2.	Does the current compensation management system allow employees for taking up higher responsibilities?	46.47	38.02	15.49
3.	Are you satisfied with current compensation policy?	29.57	21.12	49.29
4.	Current compensation system allows you to put your efforts according to your specified jobs.	64.78	22.53	12.67
5.	Current compensation system fulfills the psychological and self-actualization needs of employees.	40.84	32.39	26.76
6.	Compensation needs are the outcomes of appraisal system.	70.42	15.49	14.08
7.	Individual objectives are in-line with compensation system objectives and need.	32.39	35.21	32.39
8.	Compensation policy & programs are clearly and transparently designed & understood by everyone.	42.25	23.94	23.94
9.	Compensation programs are timely updated without affecting the core work.	54.92	25.35	19.71
10.	Do you have a formal job evaluation plan in Bank?	53.52	19.71	26.76
11.	Do you link pay to performance appraisal?	53.52	28.16	18.30
12.	Appropriate instrument/methods/tools are used for providing compensation.	53.52	23.94	22.53
13.	Corrective measures are being used for auditing compensation policy effectively.	52.11	25.35	22.53
14.	Staff is aware about the compensation policy.	71.83	19.71	8.45
15.	Staff members are aware of the importance of compensation management policy.	73.23	12.67	14.08
16.	Quality compensation policy is being maintained in the Banks.	43.66	35.21	21.12
17.	The cost indulged in compensation structure & policy is being maintained in the audit.	45.07	21.12	23.94
18.	Needs for compensating employees are identified on the basis of market trend and competition also.	30.98	36.61	32.39
19.	Projected salary increases for a particular year.	36.61	30.98	32.39

**Finding and Conclusion:** Most of the employees feel that the present compensation policy is able to attract, retain and motivate employees. It is found that only 30% employees of bank are satisfied with the current compensation policy of the bank. It can also be concluded that psychological and self-actualization needs of employees are not satisfied properly. It is found that most of the employees feel that there is no match between individual objectives and objectives of compensation of bank. 35% employees are not satisfied with the quality of compensation policies. There is a proper Job Evaluation Plan at workplace and also employees feel satisfaction with current methods of compensation. There is effective audit procedure to check effectiveness of compensation policies. Staff in Bank is aware of the importance & needs for effective compensation policy. It is found that needs for compensating employees are not identified on the basis of market trend and competition. Compensation policy is backbone of banks as these banks provide service to all segments of society. These policies have to be sound by respecting skill, knowledge, competence, talent of their employees. Thus, banks can not only provide better services to customers but also banks can achieve growth.

**Suggestions:** Psychological and self-actualization needs of employees should be properly identified and accordingly these needs should be satisfied using various motivational techniques. Employees should be paid proper salary, incentives, facilities, training, developmental opportunities, competency building plans, motivation, working environment etc. on the basis of market trend and competition so that they can be retained for a longer period to achieve organizational objectives. Individual objectives and objectives related to compensation policy should be aligned properly so that both objectives are achieved because these objectives supplement each other. There is a lot of scope of improvement in the quality of present compensation policy. Reward system, performance bonus, Employee Stock Option Plan, merit promotion and other benefits can be introduced.

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