

Determinants of Employee Engagement in the Banking Industry: A study in Bhubaneswar,
Odisha

Turkish Online Journal of Qualitative Inquiry (TOJQI)
Volume 12, Issue 8, July 2021: 74-82

**Determinants of Employee Engagement in the Banking Industry: A study in
Bhubaneswar, Odisha**

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Abstract

In the recent times, the companies have properly understood that employees' talent is the key for organizational success and growth. That is the result why the function of Human Resource has made a transition from 'behind-the-scenes' to the partner who helps in strategic decision-making. Now the organizations have understood the importance of engagement of the employees. The objective of the paper is to explore the factors affecting employee engagement in public banks to help the management to retain employees. The response from 289 employees has been taken and factor analysis was done to find out the important factors. There were 23 factors extracted which has been grouped into 3 major factors after analysis. It was found that the work was monotonous and not interesting as well as the support of the management was less. It was seen that there is a lack of friendly communication as well as two way communication between superiors and subordinates should be considered by the management. Technological up gradation at workplace and upgrading the employees about the usage of technology was also necessary. Even, financial activities in banks and the promotional process should be upgraded to engage more employees in public sector banks. Some improvements are suggested to engage workers actively to the maximum level.

Keywords: Employee Engagement, Banking Sector, Support, Communication, Working environment, Reward system

1. Introduction

Several Indian organizations, in the recent times have started to realize the importance of human resource as the key to their prosperity. Every sector is now more concerned about engaging and motivating its employees to perform better and gain more productivity over time. Employees should feel that their engagement in the company is contributing in the company in a productive manner. One of the toughest challenges faced by the organizations is to ensure that their employees come every day to work in a positive state of mind. In short, it can be said that the employees should be truly engaged.

Employee engagement has been an important driver as it affects employee morale and is also the reason for retaining employees in the organization. According to Saks (2006), employee engagement refers to person's perspective and attachment towards the organization. It is considered as a strategy that helps employees set new

standards and contribute to the whole business line and such is echoed in the services provided to the clients and customers. In this paper we study about the various factors that impact employee engagement in public banks. We will also identify the important factors that help to engage employees in the banking sector to a greater extent.

A review of past literature has been done in the paragraph below, depicting about the previous work done on finding factors affecting employee engagement in various sectors like hospitality, tourism, construction, information technology etc. A gist of few of the works done in various sectors as well as banking sector in different geographical locations has been mentioned below to help us build a framework for taking our study further.

2. Significance of the Study

The financial sector is the backbone of the Indian economy. It is very essential for the employees to be updated about the new changes that are taking place in this present world. Technology has been playing a crucial role in today's time and it is of utmost importance to make proper use of it. In such times, satisfaction of employees at workplace matters a lot, as this is the major cause for better performance. To attain more satisfaction level at workplace, the employees must engage themselves in their task as well as feel happy about their position. Employee engagement is necessary for both the employee and the employer. It helps the employer to understand the needs of the employee and provide a motivating environment to its employees to engage in a better manner and attain enhanced productivity. The significance of this study is to highlight the areas where the banking industry must focus in order to engage the talented employees in the best possible way and be more successful in the competitive market.

3. Review of Literature

Due to tough competition in banks and technological advancement, engaging employees positively in their job is a challenge for the management. Taking such into account, glimpses of past work on this particular topic has been done to identify the important factors for engagement in banks.

Nagesh, P., Kulenur, S. and Shetty, P. (2019), have studied about the various factors affecting employee engagement by taking viewpoints of employees working in the banking sector. They found out that work environment, image of the organization, training and development and supervisor co-worker relationship had a positive impact on employee engagement whereas decision making had no impact on employee engagement. Organizations should make employees feel important by involving them in decision making process to enhance better engagement.

Nalini, G. and Mohd, K. (2019), reviewed the concept as well as the drivers of employee engagement by analysing various literatures on the particular concept. They found out prominent factors like communication, leadership, rewards and recognition, career development, work environment affect employee engagement to a larger extent.

Vasani, P.J. and Pillai, V.V. (2019), studied the various factors affecting engagement and found that training, leadership, communication, pay and benefits, performance appraisal, health and safety, performance of the company, career development and grievance procedure had a positive effect on employee engagement in organization. These factors even positively affect the performance of the organization in a positive manner as a whole.

Anand, V. V. et. al. (2016), have studied about the various contributing variables that influence employee engagement and also found out the relationship of such factors with output variables. Team work, immediate supervisor, co-worker, reward and recognition, department and opportunities are the predictor variables that influenced employee engagement in rural banks. On the other hand, variables like communication, job, superior and organization did not have a significant impact on employee engagement. Discretionary effort and retention are the two outcome variables which have a strong impact on the engagement of employees in banks.

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Chandani, A. et. al. (2016), have clarified the importance of employee engagement as well as reviewed the various factors which affect engagement in organizations. It was found that strong induction programs, proper training and development programs for new employees can keep them engaged. Further, team building and leadership activities, proper communication and reward system can engage the existing employees of the organization. Moreover, creating opportunities for employees, being interactive with them, creating meaning of the job by making employees understand their contribution in the workplace, teamwork and support, positive managerial interventions will help employees to remain focused and committed in their work. Employees working in a political environment tend to show low engagement levels and less commitment as well.

Jogi, R. A and Srivastava, AK. (2015), conducted a study on private sector banks and found that employee engagement was significantly influenced by three important factors like co-employee support, communication and employee development. Employee performance and retention of staff can be done by paying attention to the above factors, as, this in turn will enhance employee engagement overall.

Dhevika, V.P.T. et. al. (2014), have found that pay and benefits had the most influence on employee engagement in the banking sector. This was followed by factors like role in bank and training and development in banks. It was also seen that relationship with supervisor and the working environment had impact on the engagement of employees in banks.

Gummadi, A. and Devi, S.A. (2013), through their cross-sectional study in the banking industry found out that working environment and supervisor support had a direct and positive relationship with employee engagement. It was also seen that training and development and reward had a negative impact on employee engagement in banks.

After reviewing the past literature and going through so many factors, we have found out 23 factors which affect the banking sector in general. These factors are feedback, support and encouragement, transparency of information, level of trust and respect, bonus and compensation, promotional activities, satisfaction with financial policies, satisfaction with annual paid leave, opportunity for personal growth, opportunity to apply talent, interesting work, two way communication, friendly communication, level of free communication, technological upgrades, training programs, ease to use technology, friendly work culture, detailed corporate communications, spirit of cooperation, safety and quality, company reputation and level of satisfaction being in the organization.

The work done by various authors provided a cornerstone for taking our research further by finding the research gaps and framing the research questions. The questions have been mentioned below to better understand the aim of this paper.

4. Objectives of the Study

- To find out the factors responsible for employee engagement in the banking sector
- To study the most factors that affect employee engagement in banks

Further, a conceptual framework has been designed to understand the important factors that influence employee engagement relating to banks.

5. Conceptual Framework

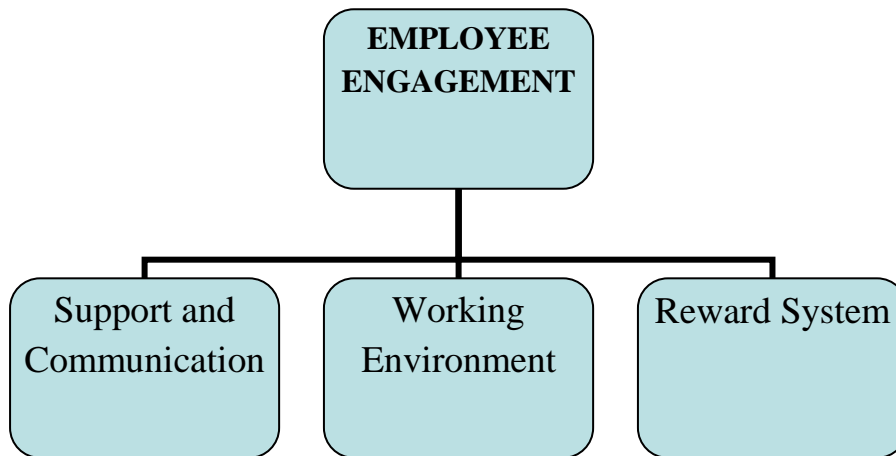


Fig1. Important factors affecting Employee Engagement

Source: Authors' own findings.

The methods and methodologies followed in finding the factors has been mentioned in detailed manner in the following paragraphs below.

6. Population and Sample

The population includes employees of all hierarchical levels works in public sector bank in Bhubaneswar, Odisha. It is an exploratory type of research and sample was chosen by purposive sampling method. Around 315 questionnaires were distributed, but, only 289 were used for the analysis as rest 26 (8.25%) were not filled, hence rejected.

6.1. Statistical Techniques Used in the Present Study

The data was primary in nature and questionnaire was structured using 5 point Likert Scale consisting of 23 questions covering all the factors responsible for employee engagement. Because of pandemic, data collection was done through online method. Chronbach's alpha was done to test the reliability of the questionnaire. KMO and Bartlett's Test of Sphericity was done to test the sampling adequacy. Then, factor analysis was used as the statistical tool to analyse the factors and find out the most important ones affecting banks. The detail of the analysis to find out the principle factors has been described in the paragraph below.

6.2. Data Analysis and Interpretation

First KMO and Bartlett's test has been done in order to check the sampling adequacy of variables as well to understand the strength of relationship among the factors, which has been depicted in Table 1 below.

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Table 1: KMO and Bartlett's Test of Sphericity

| KMO and Bartlett's Test | | |
|--------------------------------------------------|--------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .913 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 4833.112 |
| | df | 253 |
| | Sig. | 0.000 |

Source: Authors' own findings.

The value of KMO statistic varies between 0 and 1. In case of this study, the KMO Statistics is 0.913 and Bartlett's Test of Sphericity is 0.000. This implies that it is highly significant ($p < 0.001$) and conducting a factor analysis is appropriate in this case.

We have further analyzed the collected data by principal component analysis. This comes under the broad topic of factor analysis which reduces large set of variables into smaller sets maintain the information in the large set. This method has been used here to reduce number of factors into small units as it is not possible for the management to throw light on each of the factors.

The detail of the analysis done has been explained in Table 2 below.

Table 2: Principal Component Analysis

| Total Variance Explained | | | | | | | | | |
|--------------------------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 9.827 | 42.725 | 42.725 | 9.827 | 42.725 | 42.725 | 7.705 | 33.498 | 33.498 |
| 2 | 3.435 | 14.933 | 57.658 | 3.435 | 14.933 | 57.658 | 4.148 | 18.033 | 51.531 |
| 3 | 1.566 | 6.808 | 64.467 | 1.566 | 6.808 | 64.467 | 2.975 | 12.936 | 64.467 |
| 4 | .944 | 4.104 | 68.571 | | | | | | |
| 5 | .824 | 3.584 | 72.155 | | | | | | |
| 6 | .771 | 3.351 | 75.506 | | | | | | |
| 7 | .620 | 2.694 | 78.199 | | | | | | |

| | | | | | | | | | |
|---------------------------------|------|-------|---------|--|--|--|--|--|--|
| 8 | .591 | 2.570 | 80.770 | | | | | | |
| 9 | .530 | 2.306 | 83.076 | | | | | | |
| 10 | .437 | 1.900 | 84.976 | | | | | | |
| 11 | .434 | 1.887 | 86.863 | | | | | | |
| 12 | .396 | 1.722 | 88.585 | | | | | | |
| 13 | .385 | 1.672 | 90.257 | | | | | | |
| 14 | .375 | 1.629 | 91.886 | | | | | | |
| 15 | .313 | 1.359 | 93.245 | | | | | | |
| 16 | .287 | 1.249 | 94.493 | | | | | | |
| 17 | .258 | 1.122 | 95.615 | | | | | | |
| 18 | .221 | .962 | 96.577 | | | | | | |
| 19 | .195 | .846 | 97.423 | | | | | | |
| 20 | .180 | .784 | 98.208 | | | | | | |
| 21 | .149 | .648 | 98.855 | | | | | | |
| 22 | .136 | .591 | 99.447 | | | | | | |
| 23 | .127 | .553 | 100.000 | | | | | | |
| Chronbach's Alpha: 0.825 | | | | | | | | | |

Source: Authors' own findings.

The value of Chronbach's Alpha as extracted from Table 2 is 0.825. This means that the variables under study for employee engagement are highly reliable for the construct.

The above table reveals that the eigen values associated with the total factors explain relatively large amounts of variance resulting to 64.467% of total variance in all the variables.

After finding the values, rotated component matrix has been to estimate the correlations between each variable and the estimated components, the results of which are mentioned in Table 3 below.

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Table 3: Rotated Component Matrix

| Rotated Component Matrix^a | | | |
|------------------------------------------------------------------|-----------|------|------|
| | Component | | |
| | 1 | 2 | 3 |
| Constructive feedback | .895 | | |
| Support and encouragement | .762 | | |
| Transparency of information | .885 | | |
| Level of trust and respect | .816 | | |
| Opportunities for personal growth | .764 | | |
| Opportunity to apply talent | .770 | | |
| Work is challenging and interesting | .750 | | |
| Two way communication | .596 | | |
| Friendly communication | .503 | | |
| Level of free and easy communication | .794 | | |
| Corporate communications are detailed | .718 | | |
| Technological upgrades | | .571 | |
| Arrangement of training programs | | .642 | |
| Ease or level of comfort to use technologies | | .587 | |
| Friendly and cordial work culture | | .670 | |
| Spirit of cooperation | | .559 | |
| Safety and quality | | .777 | |
| Sound reputation | | .756 | |
| Level of satisfaction or pride to be a part of this organization | | .652 | |
| Satisfaction with the financial policies | | | .580 |
| Satisfaction with annual paid leave | | | .714 |
| Bonus and compensation | | | .823 |
| Promotional activities | | | .659 |

| |
|-----------------------------------------------------|
| Extraction Method: Principal Component Analysis. |
| Rotation Method: Varimax with Kaiser Normalization. |
| a. Rotation converged in 5 iterations. |

Source: Authors' own findings.

From table 3, three factors are found depending on the values extracted. Factor 1 comprises of eleven variables. Factor 2 comprises of eight variables and Factor 3 comprises of 4 variables. These three extracted factors were further named representing all the respective variables. The first factor was named as 'Support and Communication'. The second factor was named as 'Working environment' and the third factor was named as 'Reward System'.

First factor named as Communication and has factor loadings in between 0.503 and 0.895, which indicates that communication was not that friendly but feedback given was constructive and positive respectively. Factor 2 named as Working environment and has factor loadings in between 0.559 and 0.777 indicating that employees lacked the sense of cooperation among each other but the safety was maintained well by the management. Finally, the third factor named as Remuneration has factor loadings ranging from 0.580 to 0.823 which showed that the financial policies needed to be revised by the management but the employees were satisfied with the bonus and compensation they got for the extra work they did in the organization.

7. Research Implication and Further Research

The present paper has direct implications on the managers and the higher level of the management to give a new look to the job and to find new dimensions to existing policies and procedures. This also has an impact on the employees to be friendly and cooperative with the management and vice-versa for better performance and sustainability of the public banking sector.

This particular work can also be done in other private sector and nationalised banks to find out their engagement levels and will help them focusing and improving on their ways of engaging their workforce for better satisfaction, enhanced performance and overall success of the banking sector.

8. Conclusion

The study reveals about the important factors of employee engagement in public sector bank and even the points out the areas where the management needs to focus more in order to retain the talented employees in the bank. It is a bare necessary strategy which the organizations, which thrive for employee engagement, need to consider the above factors for growth and development. Setting new policies, communicating friendly with the employees, technologically upgrading and updating the workforce about it, training the employees and providing them opportunity to grow within the organization can help banking managers to retain and motivate employees for better client and customer satisfaction and satisfaction of the employees as a whole.

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