Employee Engagement in Indian Banking Sector: A Review of the Literature

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Banking being one of the key service sectors in India has witnessed an explosive growth and expansion. Rising incomes enhanced the need for banking services which resulted in great boom in terms of advanced technology, prompt communication system and conception of various banks to cope up with multinational led environment. Committed employees create the customer stories which make the brand creditable. The research paper endeavors to identify gaps in employee engagement models in Indian banking sector. Based on study; a conceptual model is proposed to make an endearing approach towards Employee Engagement.

Keywords: Employee Engagement, Banking, Literature Review, Models of Employee Engagement.

1. Introduction

India has grown up to top ten economies in the world. The emergence of economic reforms has created a new window of opportunities for employment in various sectors. Employees give the brand a face and voice; they are the one who create the customer stories which makes the brand creditable. A positive, enthusiastic and committed human capital is the foremost requirement of any trade that can put forth the best epitome and representation of his brand. Employees often get engaged differently at work place depending upon their experiences of emotional meaningfulness, safety and availability in specific situations.

The implications are that, engaged employees bring innovation and creativity, as they directly or indirectly project a positive image of their organization. Their commitment portrays an impression of a responsible organization including reputation for integrity, good internal communication and a culture of innovation” as accounted by Corporate Leadership Council, 2004.

Organizations always look for people who are generally enthusiastic to come to work every day and are highly passionate about their work. Organizations with genuinely engaged employees have higher retention, productivity, customer satisfaction, innovation, and quality. They also require less training time, believe in teamwork, are committed to their job and lead to customer satisfaction and long term relationship management with the brand.

1.1 Employee Satisfaction vs. Employee Engagement and the Drivers of Engagement

Employee Satisfaction is measurement of an employee’s “happiness” with their current job and conditions; it does not measure how much effort the employee is willing to expend and acts as foundation upon which the employee engagement can grow and thrive.

Employee Engagement is a measurement of an employee’s emotional commitment to an organization; it takes into account the amount of discretionary effort an employee expends on behalf of the organization and the one who is deeply involved and invested in his work. Research by Chartered Institute of Personnel Development (CIPD) has repeatedly demonstrated links between the way people are managed, employee attitudes and business performance. It is acknowledged and accepted that employee engagement is a multifaceted construct.

Engagement is different from satisfaction as it involves the heart, hand, and mind of the employee, rather than the transactional relationship brought about by satisfaction factors. While a satisfied employee only shows that he is engaged, an engaged employee strives to give his best to make the organization better. Engaged Employees perform better than their less engaged counterparts because they are more involved with their work which helps them to develop better solutions, and they are socially connected with their work.

The term Driver can be related to any part of a machine that communicates motion to another part. A driver of engagement is something that drives the culture of innovation and also fosters the climate of engagement in the organization. Different studies have included diverse independent variables of organisation and individual significance. Moreover, the key drivers of engagement as identified in the existing studies indicate that ‘one size does not fit all’

To strengthen the bond with employees one must invest in the development of their employees. An individual employee’s intention to stay in the job is an apt measure to gauge the feeling of the employee towards the organization. Employee Engagement is much more than being content with pay and other drivers.
1.2 Demographic Factors
Demographic factors have a role in job attitudes and motivation as they are the statistic characterizing of human population. The major demographic factors include gender, age, marital status, qualification, income, and years of services.

1.3 Work Life Balance
Work-life balance, in its broadest sense, is defined as a satisfactory level of involvement or fit between the multiple roles in a person’s life (Hudson, 2005). The concept includes proper prioritizing between "work" (career and ambition) and "lifestyle" (health, pleasure, leisure, family and spiritual development/meditation) and an ideal idea of "lifestyle choice."

Byrne (2005) suggested eight important sections of life as the eight spokes in a wheel. The sections are work, finances, spiritual, hobbies, self, social, family and health, which are important for every human being and each individual attempts to achieve a balance amongst these different sections.

1.4 Indian Banking Sector
Indian banking system consists of 26 public sector banks, 25 private sector banks, 43 foreign banks, 56 regional rural banks, 1,589 urban cooperative banks and 93,550 rural cooperative banks, in addition to cooperative credit institutions. The commercial banking industry provides employment to around 13 lakh people and out of them more than 3 lakh are female employees. Banking is the process of financial intermediation and trust based relationship. Rising incomes enhanced the need for banking services which resulted in a great boom in sector and higher demand for transactional banking services. Due to the convincing demographics in today’s scenario, the patrons are more affluent in terms of comfy lifestyle and financial planning; they are not only well-informed but are also very selective in terms of investments and cash outflow.

The face of Indian banking has now changed as banks are reaching out to the masses with advanced technology, prompt communication system and services which are not restricted to public sector banks. They have recorded a rapid rise of the new private sector banks to cope up with multinational led environment.

The evolution has lead to major changes and innovative practices in the banking sector, from traditional services to virtual expansion. In the exceptionally competitive scenario; banks need to distinguish themselves from their counterpart. The major challenges for the banks are:

- To act as a trust centre with an extended proposition to work out on rapidly evolving customer needs.
- To ensure customers trust and engagement through efficiency, easy access and customer relevance.
- To provide enhanced services to improve customer’s overall experience.
- To make advancement in the technology infrastructure and optimization of resources.
- To ensure prompt services through engaged and skilled workforce.

The trends in the Indian banking sector are highly favorable as it gives equal prospect of employment to both genders. Banks started to bring about changes in HR practices in order to retain and develop its employee base which outline a major operative expense. As a career, it offers the employees an opportunity to uphold a balance between the family and profession in a better way by building diversity much earlier than other sectors.

2. Research Methodology
The drivers of Employee Engagement are identified through the literature review and already existing Engagement Models. They are further critically reviewed to identify the gaps and to suggest the scope of future research particularly in the Banking Sector. Secondary data for the purpose of study is collected from journals, books, websites and magazines. A conceptual engagement model will be proposed and validated.

3. Research Objectives:
- To study the existing employee engagement model and identify the drivers relevant in Indian Banking Sector.
- To identify the association between drivers of engagement and demographic factors, if existing.
- To highlight the gaps in employee engagement model in Indian Banking Sector for future research.

4. Literature Review
Work–life balance is a key driver of employees’ satisfaction. The implementation of work–life programs has both individual and organizational benefits. Effective work-life programs facilitate a symbiotic relationship between the employee and employer for mutual benefits. Employees who are better, able to balance the demands on their time are more satisfied and content. In turn they are able to perform better. Such provisions also aid in employer branding and are emerging as retention factors. Work life programs offer a win-win situation for employers and employees. (Garg et al. 2015)
Based on the analysis of employee engagement criteria of existing employee engagement of targeted manufacturing industries, the study found the connection between employee engagement and organizational culture and its impact on organizational performance in terms of productivity and profitability. It reveals the direct connection between employee engagement and organization culture and organization performance and proves that employee engagement is crucial for job satisfaction and employee loyalty and retention in the organization. (Saxena et al., 2015)

Employee engagement was greatly influenced by performance management, personal development and growth, workplace recreation and remuneration package. However, among the determinants, remuneration is the highest contributor of employee engagement with workplace recreation having the least influence. Low engagement and job satisfaction can contribute to multiple organizational problems and have been associated with increased levels of turnover and absenteeism, adding potential costs to the organization in terms of low performance and decreased productivity. It is important for bank management to be aware of the needs and make up of their workforce, as well as the impact of environmental factors, when developing their programmes and policies that have implications on engagement (Mokaya et al., 2014).

In a survey conducted by Netsurvey to analyze responses from 200,000 employees across 40 companies in 60 countries, several troubling trends were found, including engagement scores decline with employee tenure, meaning that employees with the deepest knowledge of the company typically are the least engaged. (Kaufman et al., 2014)

Job satisfaction reveals a mediating relationship between employee work engagement and employee turnover intentions. So, it can be concluded that the “Job satisfaction do mediates and intensify the impact of employee work engagement on turnover intentions among employees in Banking Sector of Pakistan.” (Imam et al., 2014)

There is a variation in engagement level based on gender, age, experience and qualification of the employees in Indian settings. There is significance of the variations for overall employee engagement but individual constructs are also subjected. Gender based differences have been found insignificant but still few constructs are found to have insignificant differences and are also subjected to statistical introspection. (Garg, 2014)

Individual factors predict job engagement and organizational engagement. For example: co employee support predicted both job and organization; employee development predicted job. The study supported that Social Exchange Theory (SET) can be used as theoretical framework in understanding the construction of employee engagement. This means that the employees who have perceived support from the co-employees are more likely to reciprocate with greater level of job engagement and organization engagement; employees who are provided with adequate development (training, skills and learning) are more likely to be more engaged in their job role and organization roles, and would repay with greater organization engagement (Andrew et al., 2012).

A study on drivers of engagement predicted four drivers, namely employee welfare, empowerment, employee growth and interpersonal relationships. The three elements of employee engagement viz contributions, connections, growth and advancement, were identified through a study. (Wallace et al., 2006), (Mani, 2011)

When effectively implemented, flexible work practices are found to improve organizational outcomes by increasing employee engagement and talent retention. The findings should encourage businesses to consider supportive work environments and access to workplace flexibility as essential management practices that contribute to business success. (Richman et al., 2008)

An organization should have a proper pay system; provide equal opportunities for growth and advancement to all the employees. Only a satisfied employee can become an engaged employee, organizations with high levels of engagement provide employees with opportunities to develop their abilities, learn new skills, acquire new knowledge and realize their potential. (Vazirani 2007)

It is important for HR managers to better understand and implement the practices and policies which are effective predictors and promoters of employee motivation, employee retention and employee productivity, organizational processes, values of the organization, management, challenges in employee role, employee work/life balance, information, compensation, workplace environment and their products and services. (Glen 2006)

4.1 Existing Models of Employee Engagement

Aon Hewitt Employee Engagement Model

The model of employee engagement observes both an employees’ state of engagement as well as organizational antecedents.

The research has formed six major categories of the work experience that includes the work people do, the people they work with, opportunities, total rewards, company practices and general quality of life. An individual behavioral and psychological state and engaged employees consistently demonstrate three general behaviors:

1. Say – consistently speak positively about the organization to coworkers, potential employees and customers;
(2) Stay – have an intense desire to be a member of the organization despite opportunities to work elsewhere; (3) Strive – exert extra time, effort, and initiative to contribute to business success.

Findings: Although the engagement drivers are also important. The four important implications that “Stay” is still relevant, “Strive” is critical, Enablement is not part of engagement.

Institute for Employment Studies (IES) Model of Drivers of Engagement
The model of drivers of engagement is based on an attitude survey conducted on fourteen organizations. Based on the findings of the survey, the study concluded that there is a strong link between feeling valued, involved and engagement which is clearly illustrated in the model. IES refers to the model as a diagnostic tool, which can be used to derive organization-specific drivers.

Findings: Regardless of the sector, many drivers will be common to almost all organizations and there exists a strong link between feeling valued and involved and engagement.

Penna’s Hierarchical Model of Engagement
It is a hierarchical model of engagement at different levels of management. As the hierarchy goes up in the model, the employer meets engagement factors successfully. It highlights that workforce of an organization seeks to find meaning at work.
Finding: As an organization successfully meets each of these engagement factors, it states that the organization becomes more attractive to new potential employees and becomes more engaging to its existing staff. Engagement is fulfillment from job and is also remarkably similar to both Maslow’s Hierarchy of Needs theory, with "hygiene" factors at the base of the triangle and "satisfiers" towards the top as shown in Figure 4.

![Figure 4 Maslow’s Hierarchy of Needs Applied to Employee Engagement](image)

Right Management’s Employee Engagement Model
It is a two-construct model that uses job engagement as first construct and organization engagement as the second construct. The model has used four main components, which basically describes the behavioural and emotional aspects of engagement
1. Commitment to the job and organization
2. Pride in the job and in the organization
3. Willingness to advocate the benefits and advantages of the job and organization
4. Satisfaction with the job and organization

![Figure 5 Right Management’s Employee Engagement Model](image)
Findings: When people evaluate their experience of the job and organization in a positive manner, they in turn engage in behaviors that enhance both job and organizational performance

**Gallup Q12 – Employee Engagement**

The model creates a measurement and feedback system for employers that would identify elements of employee engagement closely linked to the bottom line through a 12-question survey that identifies strong feelings of employee engagement. Factors such as retention, customer loyalty, profitability, productivity and safety are considered while designing the survey questionnaire.

![Gallup Q12 – Employee Engagement Model](image)

**Findings:** There exists a strong correlation between high scores and superior job performance.

5 Inference

5.1 Analysis of existing literature

The major studies previously conducted which relate to the study have been summarized in Table 1 below:

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Findings</th>
<th>Future Scope of Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saxena et al. (2015)</td>
<td>There is a direct connection between employee engagement and organization culture and organization performance. It proves that employee engagement is crucial for job satisfaction, and employee loyalty and retention in the organization. It creates a healthy organization culture which ultimately leads to better organization performance</td>
<td>To study the diversification in the in selection of various sectors and gender based study.</td>
</tr>
<tr>
<td>Garg et al. (2015)</td>
<td>Effective work-life programs facilitate a symbiotic relationship between the employee and employer for mutual benefits. Employees who are better, able to balance the demands on their time are more satisfied and content and in turn, they are able to perform better. Such provisions also aid in employer branding and are emerging as retention factors. Work life programs offer a win-win situation for employers and employees.</td>
<td>To study the culture that enables and supports the opportunity to have a desired work life balance and to promote the benefits of the employee &amp; organization.</td>
</tr>
<tr>
<td>Bhandari et al. (2015)</td>
<td>Demographic variable like gender has significant impact on satisfaction towards work life balance so work life balance policy should be impoverished for betterment of employees and employers.</td>
<td>Companies need to work on better HR policies and impact of demographic variables (age, gender and experience) on work life balance.</td>
</tr>
<tr>
<td>Mokaya et al. (2014)</td>
<td>Employee engagement was greatly influenced by performance management, personal development and growth, workplace recreation and remuneration package. Low engagement and job satisfaction can contribute to multiple organizational problems and have been associated with increased levels of turnover and absenteeism, adding potential costs to the organization in terms of low performance and decreased productivity. It is important for bank management to be aware of the needs and make up of their workforce, as well as the impact of environmental factors, when developing their programmes and policies that have implications on engagement.</td>
<td>To study the performance management system that holds managers and employees accountable for the behaviour they bring to workplace and to place focus on top-performing employees to reduce their turnover and maintain or increase business performance. To study feedback criteria from employees to encourage open lines of communication for better performance and engagement.</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Description</td>
<td>Objective</td>
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<td>Imam et al. (2014)</td>
<td>Job satisfaction mediates and intensify the impact of employee work engagement on turnover intentions among employees in Banking Sector</td>
<td>To study the tools that managers can adapt to help employee get engaged, which will enhance job satisfaction and lower job stress in order to reduce the intentions of employees to leave the organization.</td>
</tr>
<tr>
<td>Garg (2014)</td>
<td>There is a variation engagement level based on gender, age, experience and qualification of the employees in Indian settings</td>
<td>To study the differences based on individual constructs. Modes of individual differences such as career development factors, income, personality type, background which varies among genders and its implications</td>
</tr>
<tr>
<td>Andrew et al. (2012)</td>
<td>Individual factors predict job engagement and organizational engagement. Social Exchange Theory (SET) can be used as theoretical framework in understanding the construction of employee engagement.</td>
<td>To study the utilization of Employee Engagement as a mediator to enhance the behavior, intention and attitude of employees towards a better work performance.</td>
</tr>
<tr>
<td>Richman et al. (2008)</td>
<td>Perceived flexibility and supportive work life policies are best predictors of employee engagement. When effectively implemented, flexible work practices are found to improve organizational outcomes by increasing employee engagement and talent retention</td>
<td>To study, if increased employee engagement can lead to influence of flexibility and work life supports on expected retention</td>
</tr>
<tr>
<td>Kular et al. (2008)</td>
<td>The importance of engagement and ensuring employees are engaged in the long term in what they do by addressing the issues, which have been found to matter, rather than letting the employee-employer relationship become ‘stale’.</td>
<td>There is a need to investigate the predictors of engagement and to find out the factors that are most important for engagement in different roles, jobs, organizations and groups.</td>
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</tbody>
</table>

5.2 Conclusion
Reviews of existing literature predict that psychological meaningfulness is an important factor in gauging employee engagement. A number of studies on Employee Engagement Drivers have taken place. Though, comparative studies related to work life balance, demographic variables and their association with employee engagement drivers are found limited in banking sector. Employees often get distracted from their work due to increase in responsibilities at home, and a desire to excel in their career.

Banks are required to construct a trust based relationship with employees as excellent service delivery is one of the hallmarks. They should invest in employee engagement by influencing the attitudes and behavior of employees, as it leads to business outcomes and customer satisfaction. Bank need to identify the expectations of employees in terms of support that can be provided for achieving a better work life balance and advancement in career with job continuity.

There is a scope of future research to explore the drivers of employee engagement that engages employees in banking sector and uphold a career in banking. There exists a research gap as none of the model of Employee Engagement shows any clear association of work life balance and demographic factors with the drivers of employee engagement. A study can be undertaken to find out whether there is any specific step-by-step approach taken to identify the association between certain demographic factors and employee engagement drivers.

5.3 Emerging Model of Employee Engagement Drivers based out of literature review
Based on the study, the drivers of engagement are divided in three levels as shown in Figure 7:

![Figure 7 Drivers of Engagement](image)
Basic Needs
- Competitive pay and benefits
- Satisfaction, security and good working condition
- Good ambience and infrastructure

Bank Practices
- Brand Name, Mission Vision and Work Culture.
- Self acquaintance/familiarity with job profile and processes.
- Availability of resources for effectiveness in the processes.
- Employee’s opinion/feedback counts to the management in decision making for further improvements
- Ethical work practices, customer-employee focused business.
- Suitable leave and extra benefits policy to fulfill personal commitments
- Actively involved in Corporate Social Responsibility

Learning, Support and Career Development
- Friendly and cooperative co workers who values teamwork.
- Supportive, Cooperative and encouraging leaders and immediate manager.
- Encouraging Human Resource which works on innovative practices for people management, attracting & retaining talent.
- Rewarding performance based incentives, appraisals and recognition.
- Effective internal communication and work collaboration in all processes.
- The bank is actively involved in activities in relevance to society and stakeholders.
- Fair treatment among all employees and equal opportunities to perform irrespective of any demographical difference.
- Job satisfaction commitment towards the job
- Career advancement and education.

The above studies have found that there exists a research gap as none of the model of Employee Engagement considers any association of work life balance and demographic factors with the drivers of engagement. Accordingly, the following conceptual model is proposed (Figure 8) for Employee Engagement that the banks can consider to make a win win approach.

![Figure 8 Emerging Model of Employee Engagement highlighting the gaps from literature](image)

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