

Analysis of relationship between job satisfaction and compensation policy in State Bank of India

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Abstract:

In organization, employees are the key resources through which all the other objectives are achieved. Human resources play vital role in organizational effectiveness and the most valuable asset available to an organization is its employees. Today, retaining employees in their jobs is crucial for any organization. Job satisfaction can be defined as a positive emotional response an employee experience at the time of performing his tasks. Employee compensation refers to all forms of pay going to employees. It has two main components, direct financial payments and indirect financial payments. Compensation is the systematic approach of giving reward to the employee's aroused due to their employment. The sound compensation system is the vital tool in hand of management to face the dynamic and competitive environment with their satisfied work force having high enthusiasm. The objective of present study is to identify the relationship between compensation policy of SBI and job satisfaction. Primary and secondary data has been collected for the present study using questionnaire. The result has been discussed below.

Keywords: compensation, job satisfaction, bank, state bank of India, financial benefits, non-financial benefits.

Introduction:

In organization, employees are the key resources through which all the other objectives are achieved. Human resources play vital role in organizational effectiveness and the most valuable asset available to an organization is its employees. Today, retaining employees in their jobs is crucial for any organization. The shortage of skilled staff and retaining highly qualified talent is a critical phenomenon in today's competitive environment. Every organization desires to have skilled and competent employees to make their organization more effective than their competitors. Humans are very important assets of an organization rather than material, machine and money, because no activity can be done without the help of human resource. For many years it has been said that capital is the bottleneck for an organization. But now this any longer hold true. The work force and organizational inability to recruit and retain a good work force constitute the bottleneck for increasing the effectiveness and making organization more dynamic and competitive. In order to attract and retain the

competent employees the organization must focus on human resource and their satisfaction. If the human assets are satisfied they will not switch the organization. Employees will demonstrate pleasurable positive attitudes when they are satisfied with their jobs. Thus, high job satisfaction will increase the productivity of an organization, in turn increasing the overall organizational performance. Compensation plays an important role in determining an employee's level of job satisfaction. Reward practices linked to job satisfaction have been applied differently by public and private banks. The Indian banking sector is the lifeline of the nation and its people. It is a vital component of the economy of the country. The banking sector is considered to be the backbone of the modern economy. The efficiency and growth of a nation depend on the strength and efficiency of its financial institutions, the performance of banks majorly depends upon the efficiency of their work force. If the human resource is competent and willing to perform it will be beneficial for whole economy. Competency can be enhanced by using adequate training and development programs but the willingness to perform can only be enhanced by job satisfaction. Job satisfaction has various

elements such as opportunity, stress, leadership, work standards, fair rewards, authority, development, promotion and carrier development, relationship with other employees, working condition, organizational culture etc. Compensation policy is one of the most important aspects of job satisfaction. Fair compensation policy is helpful to attract and retain the competent employees, improve their productivity, minimize cost, improve the relationship between employees and management, and to maintain the goodwill of organization in the market. Compensation policy includes direct compensation and indirect compensation. Direct compensation can be provided in form of basic pay, house rent allowances, conveyance, leave travel allowances, medical reimbursement, bonus, special allowances etc. whereas the indirect compensation includes leave policy, overtime policy, hospitalization, insurance, leave travel, retirement benefits, holidays, flexi time, telecommuting (work from home), job sharing, educational subsidies, compressed work week, work sharing etc. The human resource manager has to use the different methods of compensation to satisfy the different needs of diverse work force. As stated by Abraham Maslow a single compensation method will not be sufficient to motivate all the employees in the organization. Because every employee is different at various points like education, status, family composition, culture, religious, level of employee in the organization etc. so that their needs will also be differ. Direct compensation methods are preferred by lower level employees where the indirect methods of compensation are preferred by higher level employees. . Compensation has become the important part for employer as well as employee because employees depend upon the wages and salaries and must be equivalent to work done. However, to managers, compensation policy affects the cost of doing business.

Job satisfaction: Job satisfaction can be defined as a positive emotional response an employee experience at the time of performing his tasks. Leading organizations are now trying to measure this feeling, with job satisfaction surveys becoming an integral part of organization. Job satisfaction is a qualitative aspect as well as multidimensional approach. Because job satisfaction varies from employee to employee, in the same workplace under

the same conditions, the factors that help one employee feel good about their job may not apply to another employee. Management has to pay attention towards the job satisfaction of the employees, because it will be beneficial for the business in the long run. Satisfied employees create satisfied customer, reduction in turnover, increase the productivity, and reduce human resource cost in long run.

Wanous and Lawler III (1972) state that job satisfaction 'generally means the fulfillment acquired by experiencing various job activities and rewards. The term is used to analyze outcomes already experienced by an employee. Thus, satisfaction is a consequence of rewards and punishments associated with past performance'.

According to Vroom (1964), job satisfaction is the 'affective orientations of individuals toward work roles that they are presently occupying'.

Compensation: employee compensation refers to all forms of pay going to employees. It has two main components, direct financial payments and indirect financial payments. Compensation is the systematic approach of giving reward to the employee's aroused due to their employment. Compensation can also be understood as a system to motivate the employees to perform better. It is used to encourage culture and values. It is a tool that helps to achieve organizational goals. Management has to maintain tradeoff between the employee compensation and cost of human assets. As the high compensation leads high satisfaction among employees but it will increase the operating cost of organization. In the competitive era the compensation system has changed from confidential to more transparent, organization has become participative from bureaucratic. Work force is diversified having different needs and aspirations. Management has to provide flexible compensation system so that it can satisfy the different needs of different employees. An ideal compensation system should be flexible, scientifically defined, easy to understand and implement, complying with labor laws, equitable, motivate employees and encourage their performance, reduce industrial disputes, minimize labor turnover, retain talented human resources, provide opportunities of development. The sound compensation system is the vital tool in hand of

management to face the dynamic and competitive environment with their satisfied work force having high enthusiasm.

Edwin B Flippo: "The function of compensation is defined as the adequate and equitable remuneration of personnel for their contributions to the organizational objectives."

Benham: "Compensation is the value of work of the employees according to the agreement between employer and employee."

Overview of State Bank of India:

With a legacy of over 200 years, State Bank of India is an Indian multinational, public sector banking and financial services institution. For SBI, the interests of the common man have always remained at the core of its business. The Bank has a strong portfolio of distinctive products & services, and leverages technology to deliver and manage them in a personalized and customer centric way. Headquartered in Mumbai, SBI provides a wide range of products and services to individuals, commercial enterprises, large corporate, public bodies, and institutional customers through its various branches and outlets, joint ventures, subsidiaries, and associate companies. It has always been in the forefront to embrace changes without losing sight of its values of Service, Transparency, Ethics, Politeness and Sustainability. The bank descends from the Bank of Calcutta, founded in 1806 via the Imperial Bank of India, making it the oldest commercial bank in the Indian subcontinent. The Bank of Madras merged into the other two presidency banks in British India, the Bank of Calcutta and the Bank of Bombay, to form the Imperial Bank of India, which in turn became the State Bank of India in 1955. The Government of India took control of the Imperial Bank of India in 1955, with Reserve Bank of India (India's central bank) taking a 60% stake, renaming it State Bank of India.

Review of Literature

(meena, 2019) The study reveals that there is a relationship among employees and expenditure incurred per employee by the company. so there is a correlation between them on the basis of the data we can say that an increase in the performance of the

organization will simultaneously increase the expenditure incurred on an employee by the company. The study is showing a positive trend between organization income and its expenditure. So organization should value their employee as they are the driving vehicles and assets of the organization.

(Gulzar, 2017) Has discussed that the employees of SBI (34.9%) strongly agree that general climate of an organization is good that plays important role to improve the performance of an organization. culture has direct impact on the organizational performance SBI with 35.7% and is statistically significant. Managers of SBI (24.1%) perceive that bank has good selection process and techniques that lead to effective performance of an organization. 37% of managers agree with the statements of Job definitions. It is clear from the result that if job description and job specifications will be clear to the employees that will directly improve performance of an employees and leads to the increase in the performance of an organization. The majority of the managers from all the sample study organizations either agrees or strongly agrees that career planning is clear to all the employees and is statistically significant. Employee participation is very important for better performance.

(CHINNADURAL, 2016) Has discussed the success of the Banks depends not only on the satisfaction of their customers but also the satisfaction level of the employees working in the banks. The level of satisfaction of the bank employees can be ensured and enhanced by effective HR-practices adopted by the Banks. He concluded that level of satisfaction on HR practice of both male and female is almost same. Middle aged employees are less satisfied than older and younger aged employees, assistant managers are less satisfied as compared to their superiors such as branch manager and senior manager. He suggested that the banks should review their performance appraisal system by conducting an opinion survey among their officers. The bank officers expressed concern over Compensation Management and Grievance Handling procedures. Therefore, the administrators of State Bank of India should look into the matter pertinent to compensation and grievance handling mechanism and redress their grievances on compensation.

(Sharma, 2014) The study reveals the relation among employees affects the performance, the changing technology of banking sector and demanding customers are the reason of stress among bank employees, insufficient staff is another reason for poor performance. Apart from that frequent transfer hamper the productivity of employees. Employees are not highly satisfied with their current salary.

(Bora, 2014) The study reveals that job security is one of the most important ingredients of job satisfaction. Secure job environment enhances the degree of job satisfaction. Management must create an environment of job security among employees. Indians work with emotions, so any legal job contract will not motivate them. Instead, there should be a psychological or emotional bond between employees and the organization. Due to the different social, economic and cultural backgrounds, the hire and fire system is not effective in India. In fact, Indian culture is neither individualistic nor collective, rather it is "Karm" (according to Indian mythology it is do your duty, don't worry about results) oriented. Indians always accept effective leadership. So when management can provide effective leadership and a secure job environment, Karm (job duty) will be in the right direction. Apart from job security, management must provide job stability. There should be a challenging environment. The job structure should comprise horizontal as well as vertical growth. The job should provide enough scope for the employees in terms of promotion and transfer.

(Regi, 2013) This study stated that the overall satisfaction levels of employees about welfare measures in the organization are satisfactory. The objectives are to investigate whether training and development, flexible scheduling, safety and health in workplace and retirement plans able to motivate academicians in context of Indian Overseas Bank. It is recognized that employee welfare is the responsibility of line management and supervision. If the line managers take on their proper role as team leaders as they are close enough to each worker, they should be in a position to identify any personal problems affecting the work of their subordinates. So they should be able to either counsel the employees or refer them to the counseling agencies. The IOB gives more welfare schemes to their staffs such as

safety measures, Promotion facilities, Recreation facilities, etc. Social security's measure like workmen compensation, maternity benefit, old age benefit, medical benefit and family welfare benefit are very important. The IOB by providing better social security's to employee the satisfaction towards job can be improved. But they are lacking in canteen facilities, Rest room and Toilet facilities, ID card issued. They should take necessary steps to improve in those measures. Thus the employee can do his job more effectively. The company should provide correct facilities to their workers in order to satisfy them. The most of the staffs satisfied with the Indian Overseas Bank because of their staffs consideration and care.

Objectives of study:

- To identify the compensation policy of State Bank of India
- To study the relationship between job satisfaction and compensation of employees
- To provide concrete suggestions related to compensation policy of SBI Bank

Hypothesis:

1. **H0:** There is no significant relationship between the compensation policy and job satisfaction.

Research Methodology:

The data has been collected from primary and secondary sources. The secondary data for the study has been collected from books, articles, journals, newspapers, websites, report, and annual reports of bank. The primary data relating to compensation policy, employee satisfaction and related issues has been collected by using questionnaire. 50 employees have been taken into consideration for present study from different managerial and non managerial levels randomly from Jaipur.

Analysis and findings

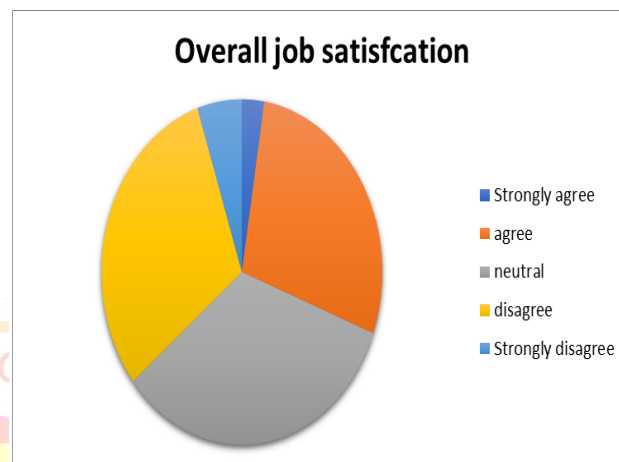
Table 1. Demographic characteristics of respondents (N=50)

Characteristic	Category	Frequency	Percentage
Gender	Male	30	60
	Female	20	40
Education	Other	5	10
	Graduation	20	40
	Post-graduation	25	50
Marital status	Married	31	62
	Unmarried	19	38
Income P.M. (Rs)	Below 20,000	14	28
	20,000 to 40,000	11	22
	Above 40,000	25	50
Experience	Below 10	41	82
	10 to 20	5	10
	Above 20	4	8
Designation	clerk	15	30
	Officer	20	40
	Sub staff	15	30

The first part consisted of questions about personal information on age, gender, education, marital status etc., and the second part had questions related with the dimensions of compensation management. These are wages & salary, incentives, employee benefits, additional privileges, types of incentives etc. Each question had five response categories i.e., strongly agree, agree, neutral, disagree, strongly disagree and allotted score as 5,4,3,2,1, questionnaire was administered from 50 respondents selected randomly from Jaipur. The data was analysed using frequency percentage and multiple regression analysis using SPSS.

The statistical data in terms of gender, education, marital status, work experience and respondents' designation, monthly income of 50 employees of SBI in Jaipur are presented in Table No. 1. From the table, it can be pointed out that there was preponderance of males by 20% .Half (50%) of them were post-graduates. A little more than half (62%) were married. The proportion of respondents with income Rs. above 40,000 was highest (50%). Those with work experience below below 10 years were represented highest (82%).

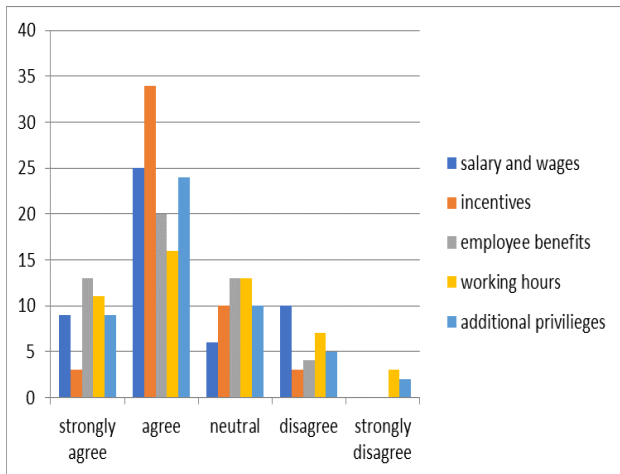
Overall job satisfaction of employees working in SBI Jaipur:



The above chart shows that the employees of SBI of Jaipur area are agree with the overall job satisfaction i.e. 44% where 26% of employees are neutral about the overall job satisfaction. 24% of employees are disagreeing whereas 2% are strongly disagreeing and only 2% of employees is highly satisfied.

Table 2 components of compensation and level of job satisfaction:

components of compensation	strongly agree	agree	neutral	disagree	strongly disagree	Total
salary and wages	9	25	6	10	0	50
incentives	3	34	10	3	0	50
employee benefits	13	20	13	4	0	50
working hours	11	16	13	7	3	50
additional privileges	9	24	10	5	2	50



The above table shows that the majority of employees are satisfied with the salary and wages of the SBI. Similarly 68% of employees are satisfied with the incentives plan of the bank. They are equally; highly satisfied and neutral about the employee benefits. 32% of employees are satisfied with the working hours of the bank, 48% of employees are satisfied with the additional privileges given by the bank.

Analysis of relationship between job satisfaction and compensation policy of SBI:

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	10.410	5	2.082	2.670	.034 ^b
	Residual	34.310	44	.780		
	Total	44.720	49			

a. Dependent Variable: overall job satisfaction

b. Predictors: (Constant), additional privileges, incentives, salary and wages, satisfied with working hours, employee benefits

Table 4 represents the overall significance of the model. It is denoted by the value of the F statistic and its significance level (denoted by the value of "Sig."). The p value (sig value) is 0.03 and the value of alpha is 0.05. As we can see that the p value is less than the alpha value, it indicates the model is significant and has linear relationship.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	.482 ^a	.233	.146	.88305	2.051

a. Predictors: (Constant), additional privileges, incentives, salary and wages, satisfied with working hours, employee benefits

b. Dependent Variable: overall job satisfaction

Table 5 The Model Summary includes multiple correlation coefficient R and its Square i.e. R² and also the adjusted version of this coefficient as summary measures of the model fit. As can be seen, the Linear Regression Coefficient R= 0.482 indicates that there is a moderate correlation between the dependent and independent variables. In terms of variability, the value amount of R²= 0.233 or 23.4% which explains the variability within the population (this means that 23% population in the sample agree on the correlation between the given variables). Further use of adjusted R² leads to a revised estimate that 14.6% of the variability in overall job satisfaction in the sample is explained by five independent variables (i.e. additional privileges,

	Mean	Std. Deviation	N
overall job satisfaction	3.1600	.95533	50
salary and wages	3.6600	1.00224	50
Incentives	3.7400	.66425	50
employee benefits	3.8400	.91160	50
satisfied with working hours	3.5000	1.16496	50
additional privileges	3.6600	1.02240	50

Table 2 analyzed the descriptive statistics and represents this fact that majority of respondents as employees of SBI, feels that employee benefits affects the overall job satisfaction (Mean=3.84 and standard deviation=0.91). Followed by incentives (mean= 3.7 and standard deviation=0.66). Least number of employees are in favour that working hours affects the overall job satisfaction (mean=3.5 and standard deviation=1.1).

incentives, salary and wages, satisfied with working hours, employee benefits).

Table 6 Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VI F
1 (Constant)	1.839	.990		1.858	.070		
salary and wages	.447	.128	.469	3.491	.001	.967	1.035
Incentives	-.162	.221	-.113	-.734	.467	.738	1.356
employee benefits	.103	.161	.098	.640	.526	.740	1.350
satisfied with working hours	.039	.111	.048	.354	.725	.955	1.047
additional privileges	-.066	.125	-.070	-.524	.603	.972	1.028

a. Dependent Variable: overall job satisfaction

The earlier table revealed that all five variables when combined have a significant relation with “overall job satisfaction”. In the above table we determine the relationship between each independent variable with the “overall job satisfaction” individually.

The output shown in Table 6, Coefficients provides the estimation of regression coefficients, standard error of estimates, t-tests, and Significance. The estimated regression coefficients are depicted under “Unstandardized Coefficients B” which predict the change in the dependent variable (i.e. overall job satisfaction) when the independent variable (additional privileges, incentives, salary and wages, satisfied with working hours, employee benefits) is increased by one unit conditional on all the other variables in the model remaining constant.

In order to test the null hypothesis, we refer to the t-statistic value where the “significance” value (0.001) reflects that the salary and wages of the individual has effect on the overall job satisfaction of the individual (a confidence interval of 95% means sig value has to be less than 0.05 to be considered “significant relationship”). Apart from that, additional privileges, incentives, satisfied with working hours, employee benefits of the individual has no effect on the overall job satisfaction of the individual (a confidence interval of 95% means sig value has to be less than 0.05 to be considered “significant relationship”).

Conclusion:

- The p value (sig value) is 0.03 and the value of alpha is 0.05. As we can see that the p value is less than the alpha value, the null hypothesis is rejected that there is no significant relationship between the compensation policy and job satisfaction.
- It also indicates the model is significant and has linear relationship.
- 44% of employees are agreeing with job satisfaction. 24% of employees are disagreeing with overall job satisfaction.
- Majority of employees are satisfied with the salary and wages. 68% are satisfied with incentives, 32% are satisfied with working hours and 48% of employees are satisfied with the additional privileges given by bank.
- The employees of SBI bank feels that employee benefits affects the overall job satisfaction (Mean=3.84 and standard deviation=0.91). Followed by incentives (mean= 3.7 and standard deviation=0.66). Least number of employees are in favour that working hours affects the overall job satisfaction (mean=3.5 and standard deviation=1.1).
- The Linear Regression Coefficient R= 0.482 indicates that there is a moderate correlation between the dependent and independent variables.
- In terms of variability, the value amount of R²= 0.233 or 23.4% which explains the variability within the population (this means

that 23% population in the sample agree on the correlation between the given variables).

- Further use of adjusted R² leads to a revised estimate that 14.6% of the variability in overall job satisfaction in the sample is explained by five independent variables (i.e. additional privileges, incentives, salary and wages, satisfied with working hours, employee benefits).
- The t-statistic value where the “significance” value (0.001) reflects that the salary and wages of the individual has effect on the overall job satisfaction of the individual (a confidence interval of 95% means sig value has to be less than 0.05 to be considered “significant relationship”).
- Apart from that, additional privileges, incentives, satisfied with working hours, employee benefits of the individual has no effect on the overall job satisfaction of the individual (a confidence interval of 95% means sig value has to be less than 0.05 to be considered “significant relationship”).

Suggestions:

- Flexibility in the working hours by adopting flexi time policy and make plans for individual’s employee’s growth on regular basis.
- Employee recreational activity should be undertaken by the management to enhance the creativity of employees, so that they put more efforts in their work.
- Reduction in work stress for better employee work experience.
- Regular meeting should be arranged to talk about the satisfaction and development of employee.
- Need to increase incentives, and should be linked to performances. Performance appraisal system should be more transparent and clear so that every employee can understand.
- Promotion should on the basis of the results of performance appraisal not on experience, as competent employee feels demotivated, if they not get appropriate promotion as per their work.

- There should be availability of additional benefits at every level of organization, higher level of employees enjoy more additional benefits as compared to lower level.
- Concept of job sharing, flexi hours, etc can be used to enhance the job satisfaction.

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