

Impact of Rewards and Recognition on Employees in the Banking Sector

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Abstract: - The most important motivating factor in an organization is how well the policies and processes related to Rewards and Recognition are in place. In banking sector, we observe that in most of the Banks, this has been taken an important and various initiatives have been taken towards it. Also, it's observed that with this implementation various issues related to people management have got addressed /resolved. We have also seen that attrition issue in an organization have got addressed. HDFC Bank and Kotak Mahindra Bank were taken into study to understand how Reward and Recognition has been implemented and how it has been accepted by the employees. Several types of rewards and recognition have direct costs associated with them, such as cash bonuses, stock awards, and a wide variety of company-paid perks, like car allowances, paid parking, and gift certificates. Other types of rewards and recognition may be less tangible, but still very effective. These "non-monetary" rewards include formal and informal acknowledgement, assignment of more enjoyable job duties, opportunities for training, and an increased role in decision-making. This paper is basically to understand that which types of rewards and recognitions are meaningful to the employees in the banking sector and how this can have an immensely positive impact on performance, productivity, and ultimately company profits.

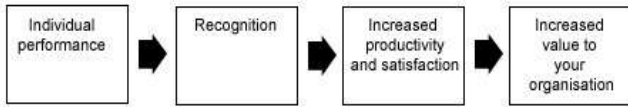
I. INTRODUCTION

A sound and effective banking system is the backbone of an economy. This research project is based on handling the problem at HDFC Bank regarding attrition situation pertaining there with respect to the rewards and recognition system in the bank. The economy of a country can function smoothly and without any hassles only if the banking system operates functionally well. And for the functional operation of the banks, employees are one of the most important participants of the success. For the employee dedication and motivation, rewards and recognitions play one of the major parts. Rewards and Recognitions form the basis of motivation for any employee in any organization across varied industries. The impact of rewards and recognitions can be immense. The desired outcome of rewards and recognitions is to improve performance, motivate an employee, engage him in his work, and help in building a feeling of confidence and satisfaction. Another important goal is retaining top-performing workers.

II. LITERATURE REVIEW

Many of the studies focus on the effects of rewards on task interest and performance and are found in the literature concerned with motivation: both intrinsic and extrinsic motivation. In intrinsically motivated behavior there is no reward except with the task itself. Reward and recognition programs come within the argument on extrinsically motivated behavior that occurs when an activity is rewarded by incentives not inherent in the task. Bonus systems also differ in that bonuses are a flexible reward provided after the achievement of a goal (making it reactive). Motivation has been defined as the psychological process that gives behavior purpose and direction. Understanding what motivates employees is one of the key encounters for managers. Although it is not possible directly to motivate others, it is nonetheless important to know how to influence what others are motivated to do, with the overall aim of having employees identify their own welfare with that of the organization? In general terms rewards programs come within the overall idea of compensation strategies which are defined as the "deliberate utilization of the pay system as an essential integrating mechanism through which the efforts of various subunits or individuals are directed towards the achievement of an organization's strategic objectives. They are management tools that hopefully contribute to a firm's effectiveness by influencing individual or group behavior. All businesses use pay, promotion, bonuses or other types of rewards to encourage high levels of performance. At a minimum, employees expect the organization to provide fair pay, safe working conditions, and fair treatment. Like management, employees often expect more, depending on the strength of their needs for security, status, involvement, challenge, power, and responsibility. For organizations to address these hopes an understanding of employee motivation is required. The infinite question is how organizations reach a potential and how they stimulate creativity and foster in their people the desire to succeed and to achieve self-fulfillment through their work. Employee recognition is the timely, informal or formal acknowledgement of a person's or team's behavior, effort or business result that supports the organization's goals and values, and which has clearly been beyond normal expectations.

Appreciation is a fundamental human need. Employees respond to appreciation expressed through recognition of their good work because it confirms their work is valued. When employees and their work are valued, their satisfaction and productivity rises, and they are motivated to maintain or improve their good work.



According to studies, Benefits received are as follows:

- Increased individual productivity – the act of recognizing desired behavior increases the repetition of the desired behavior, and therefore productivity. This is classic behavioral psychology. The reinforced behavior supports the organization’s mission and key performance indicator
- Greater employee satisfaction and enjoyment of work - more time spent focusing on the job and less time complaining.
- Higher loyalty, satisfaction, Teamwork, Retention of quality employees, lower employee turnover, Better safety records, fewer accidents on the job and Lower absenteeism

There are various types of rewards and recognition provided by the managers to their employees, they can be: A pat on their back, praising them before all the other employees, acknowledgement mail sent to the concerned person keeping all the other employees in CC, awarding the employee for his contributions in various annual functions of the company, Flexing those hours, Sending a handwritten note, Making work fun, Helping them connect, Loosening the shoes, Sending them to the showers, Rewarding effort as well as

success, Giving them a free pass, Electing them to the Wall of Fame.

III. RESEARCH METHODOLOGY

The method of data collection used in this survey is through the Questionnaires: which are the forms which are completed and returned by respondents. It is an inexpensive method that is useful where literacy rates are high, and respondents are cooperative. Questionnaires may be used to collect regular or infrequent routine data, and data for studies. Some of the data often obtained through questionnaires include demographic characteristics, fishing practices, opinions of stakeholders on fisheries issues or management, general information on fishers and household food budgets. The information that can be obtained through questionnaires consists of almost any data variable. In an open-ended format, keywords and other structuring procedures should be imposed later to facilitate database entry and analysis, if necessary.

Sample Size

Researcher has taken a sample size of 215 employees of HDFC Bank and 135 employees of Kotak Mahindra Bank.

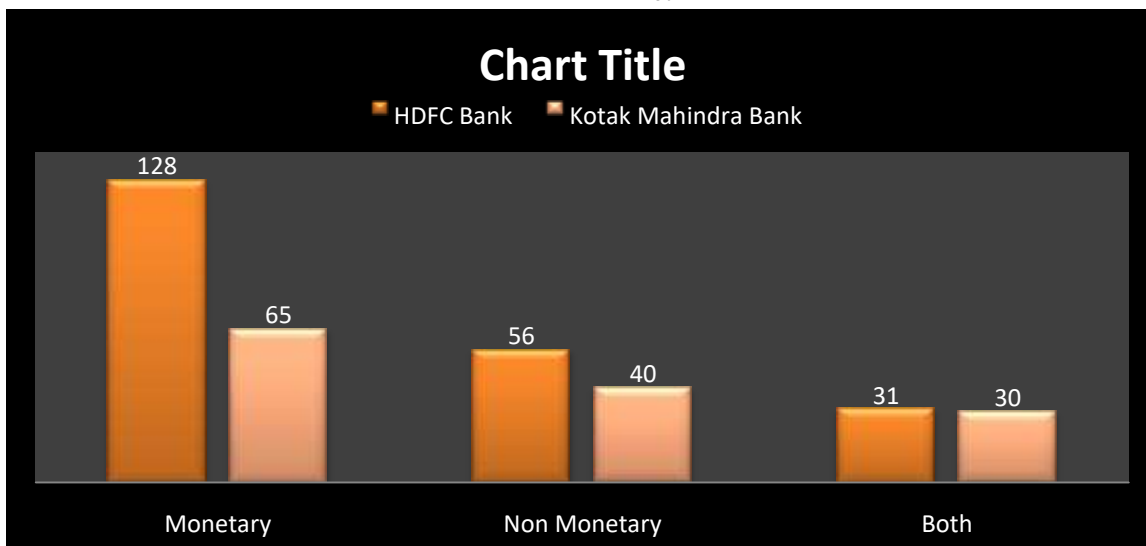
IV. DATA ANALYSIS AND INTERPRETATION

This survey questionnaire consists of both closed and open-ended questions:

This questionnaire was surveyed 215 employees of HDFC Bank and 135 employees of Kotak Mahindra Bank. The following were the findings from the data from this survey.

1. How is the Reward system in your organization?

- Monetary
- Non-Monetary
- Both



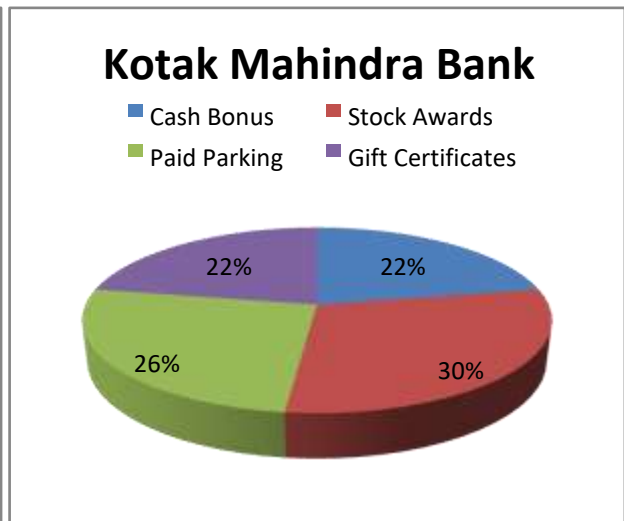
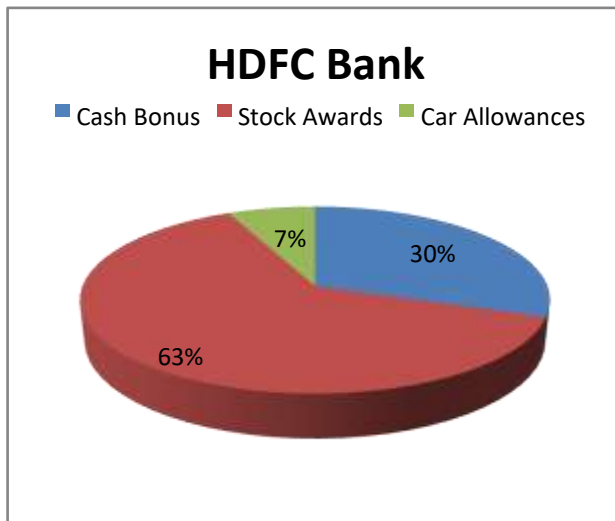
Findings:

The total sample size of 215 employees was taken into consideration and the said questionnaire was administered. I could observe 59 % of employees confirmed that the benefits were towards monetary gains as far as the policies of reward and recognition in the organization. A similar percentage of 48 % was also seen in Kotak Mahindra bank employees.

The researcher could also see that 14 % of employees were not clear on the policies of the bank as they had opted for an option of “BOTH” in the questionnaire.

Thus, it is very important for an organization to have clear defined R&R policies in place as well as its more essential that these are disseminated to the employees on time as well as benefits of these are read and understood.

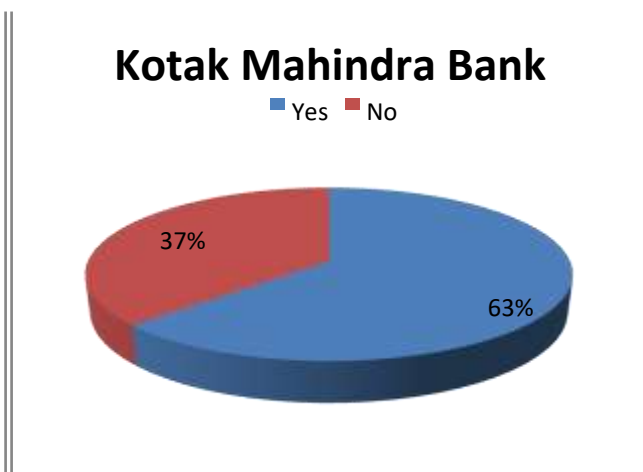
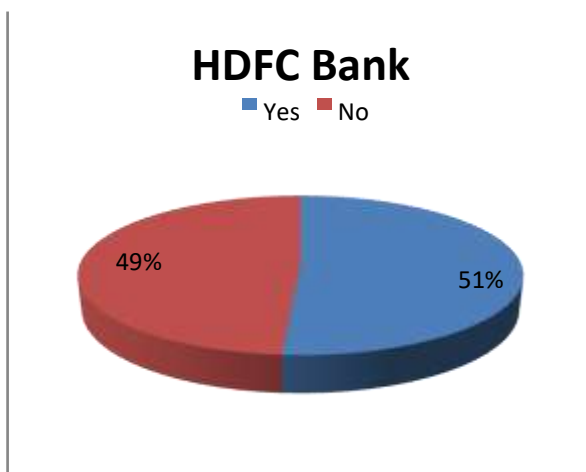
2. *What are the various Non monetary rewards practiced in your organization?*



FINDINGS: I could observe that both the organizations believe in having an aggressive stock option R&R policy in place. In case of HDFC Bank, its 63% and for Kotak Mahindra Bank it is 30%. In only certain verticals bank has a process to give cash bonus allowances in both the organizations which accounts to 30% in case of HDFC Bank and 22% in Kotak Mahindra Bank.

In case of HDFC Bank, car allowance is one aspect that forms a part of the policy there. Whereas in case of Kotak Mahindra Bank, “Paid parking and also gift certificates” are given to the employees which motivate them .

3. *Is the reward system practiced in the organization properly communicated to all the employees in the organization?*

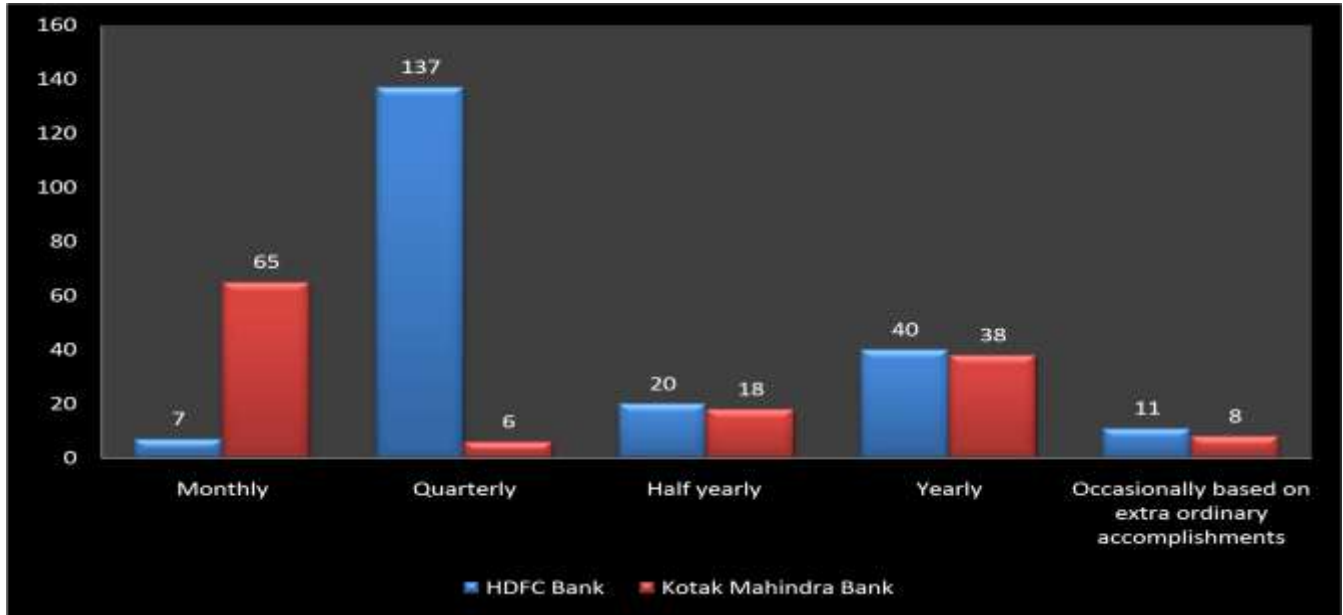


FINDINGS:

Both the organizations need to work on having much aggressive methods of communicating about the R&R methods to all its employees. While in this survey what was observed was that Kotak Mahindra Bank employees are

having much knowledge and visibility towards these policies (63% as compared to 51% of HDFC bank). Therefore, it is always advisable that, the rewards and recognition programs need to be communicated to all the employees in time.

4. How often are the employees rewarded?



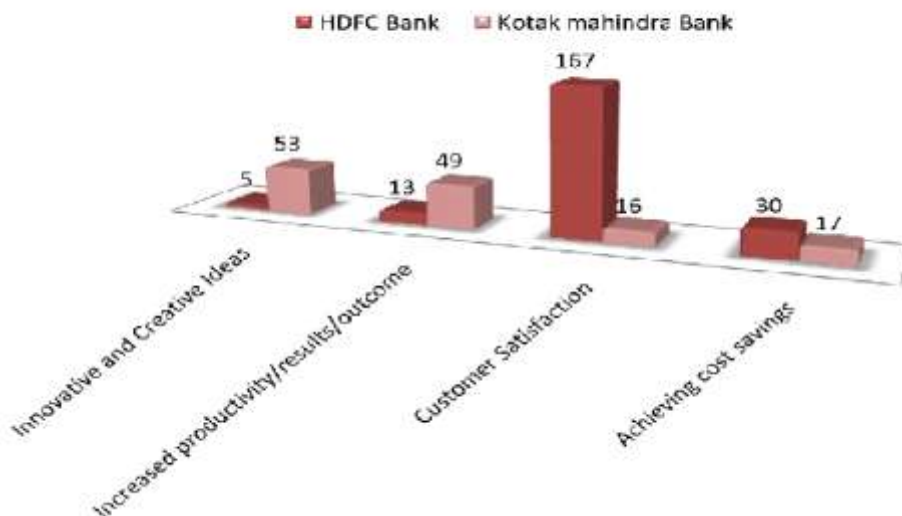
FINDINGS: In HDFC Bank, the frequency for giving rewards and recognitions is more on quarterly basis as compared to Kotak Mahindra Bank which is on monthly basis.

a larger motivation to the recipient of the reward. The policies followed by Kotak Bank are quite good and aggressive as we can observe that they use a monthly frequency model.

The organization should ensure that the rewards and recognition are given instantly to the employees, so that it has

5. In your organization employees are considered for Reward and Recognition mostly for?

Reasons for Rewards & Recognition



Findings: In HDFC Bank, % of employees are rewarded only if customer gets satisfied in our sample survey. While in Kotak Mahindra Bank, it gives more focus and importance to employees who give across innovative and creative ideas along with increase in the level of their productivity towards the business of the same. In order to get the best out of the employees the R&R methods should have all important parameters covered which leads to cost saving, TAT improvement, productivity, and reduction in complaints. Thus, in HDFC Bank, the R&R method should get reviewed each year by HR Department so that it has direct correlation with the business policies.

6. *How is the company benefited from the rewards and recognition?*

Findings:

In case of HDFC Bank, we can observe that, effective rewards and recognitions results into increase in teamwork and reduces the absenteeism level of the employees. Whereas in the case of Kotak Mahindra bank, the rewards that this bank provides to its employees leads to improved work performance and thereby leads to retention of the quality employees. These should be the major outcomes that need to be expected out of a proper rewards and recognition plan for the employees.

Limitations

Organizations that implement rewards programs that increase year after year risk employees believing they are entitled to ever-increasing bonuses and rewards for simply doing their jobs. When employees consistently meet performance expectations without going the extra step or demonstrating commitment, loyalty and motivation, they do not always deserve a reward. Developing an employee rewards program to improve employee retention can be problematic, particularly because many employees cite ineffective leadership as the reason for resigning. An employee rewards program with the intent of motivating workers and reducing turnover can be costly and counterproductive. Employees who are disengaged or have low morale are more likely to

choose satisfying working relationships and challenging work assignments over monetary rewards. An employee rewards program that bribes employees ultimately will fail, and the company will have very little to show for its efforts except evidence of poorly spent human resources funds. High-performing employees that value money and other monetary perks might find that nonmonetary reward systems lack the incentives needed to bolster motivation and increase their productivity. Not all employees value handwritten notes or walls that display the employee of the month. Some employees might also feel that their company is not willing to pay for their hard work.

Scope for Future Study

There are many areas where there is scope for further studies for example in this study only few parameters have been taken so future study can add more questions and study extensively and increase the sample size also.

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