IMPACT OF COMPENSATION MANAGEMENT PRACTICES ON EMPLOYEE’S PERFORMANCE IN PRIVATE SECTOR BANKS

Seema Sangwan

*Corresponding Author: Seema Sangwan, sseema2008@gmail.com

The study aims to find out the impact of the compensation on the employee productivity and the employee perception and satisfaction levels towards the compensation. The success of an organization depends upon several factors but the most crucial factor that affects the organization performance is its employee. Human resources play an integral role in achieving an innovative and high-quality product/service. Thus present study is an attempt to find out the type of compensation practices prevailing and the problems related to Compensation faced by Bank Employees and Employers.

Keywords: Compensation management, Private bank employees, Employee productivity

INTRODUCTION

The term compensation as a substitute word for wages and salaries is of recent origin. Pay or compensation represents an exchange between the employee and the organization. Compensation should be fair, irrespective of economic consideration. The modern definition of compensation, however, considers both intrinsic and extrinsic components of compensation. Due to rapid advancement in information technology and telecommunication in the recent years, the banking industry has been undergoing rapid changes, reflecting a number of ongoing reform processes. However, there are certain problems in the Indian Banking system, which require great attention. The study compensation management gives the brief information about the employee compensation in the organization and it explains employee reward system and it determine the performance of employee on their work. The Rationale for the study is to design the suitable compensation package for employees which is Cost Effective and at the same time provides Job Motivation to Employees. Khan (2010) revealed that in energetic business atmosphere, there is a need of an approach to achieve better performance, to originate and implement HRM practices. In considerable and insubstantial extent the organizations need to invest in such practices to get a competitive advantage. Bogdanova et al (2008) stated that HRM practices try to develop

1 Department of Management, Assistant Professor, UILMS, Gurgaon.

This article can be downloaded from http://www.ijmrbs.com/currentissue.php
and allocate human capital in the best possible ways in order to achieve long-term goals; they provide them with many benefits and good environments that would boost employee’s motivation, job satisfaction, and increase their performance. Gürbüz (2009) remarked that in order to sustain in the market Human Resource Management (HRM) practices and job satisfaction of employees have many significant benefits for organization.

9th Bipartite Settlement The 9th Bipartite Settlement regarding salary, allowances and other terms and conditions of service of Workmen Employees was signed on 27.04.2010. Banks used to issue the details through department Circulars after taking permission from the Board of Directors. Indian Banks Association has issued Corrigendum to Memorandum of Settlement. The various provisions of this Settlement are effective from the dates specified hereunder, unless provided to the contrary and the financial benefits emanating settlement.

Employees: 1. Scales of Pay: 1. As per Clause 1 (a): 1st November, 2007 2. As per Clause 1 (b): 1st May, 2010. 2. Stagnation Increment: including 7th stagnation increment, Dearness Allowance, Professional Qualification Pay and Graduation Pay, House Rent Allowance, Provident Fund, Gratuity, Fixed Personal Pay, Transport Allowance, Annual Medical Aid, Special Area Allowance, Hill and Fuel Allowance, Split Duty Allowance, Cycle Allowance, Project Area Allowance: 1st November, 2007. 3. Part-time Employees: a) Increase in lumpsum wage: 1st November, 2007 b) Elevation to one-third scale wages: 1st May, 2010. 4. Other Provisions: LFC, Hospitalisation, Definition of Family, Special Leave for Hysterectomy, road mileage, Special Pay, Halting Allowance and Washing Allowance, etc. Salary Revision for Officers Indian Banks Association, Mumbai in consultation with Government of India has finalised salary revision for officers in banks. The details of revision in various components of salary and other allowances are as under: 1. PAY Scales Scale I-14500-600-18700-700-20100-800-25700 Scale II-19400-700-20100-800-28100 Scale III-25700-800-29700-900-31500 Scale IV-30600-900-34200-1000-36200 Scale V-36200-1000-38200-1100-40400 Scale VI-42000-1200-46800 Scale VII-46800-1300-52000 2. Dearness Allowance On and from 1.11.2007, Dearness Allowance (D.A.) is payable for every rise or fall of four points over 2836 points in the quarterly average of the All India Average Working Class Consumer Price Index (General) Base 1960 = 100 at 0.15% of Pay. 3. House Rent Allowance I. In Major A Class Cities and Project Area Centres in Group A @ 8.5% of Pay. II. At other places in Area I and Project Area Centres in Group B @ 7.5% of Pay. III. At other places @ 6.5% of Pay. 4. Provident Fund There is no Provident Fund facility for the bank officers joining services on or after 1st April, 2010. They are now covered by a well-defined Contributory Pension Scheme, where the officer contributes 10% of Pay plus Dearness Allowance, and the bank makes a matching contribution. The Scheme is governed by the provisions of the Contributory Pension Scheme as introduced for employees of Central Government w.e.f. 1st January, 2004 and modified from time to time. 5. Pension The terms of the Bank Employees Pension Regulations, 1995 dated 29th September, 1995 or 26th March, 1996 do not apply to the officers who joined the services of Banks on or after 1st April, 2010; and they are covered by a Defined Contributory Pension Scheme, which is 85 governed by the provision of the Contributory Pension Scheme introduced for officers of the
Central Government w.e.f. 1st January, 2004, and as modified from time to time. 6. Medical Aid On and from 1st November, 2007, reimbursements of medical expenses have been prescribed as under: a) Officers in JMG and MMG Scales @ Rs. 5100/- per annum. b) Officers in SMG and TEG Scales @ Rs. 6320/- per annum. 7. Fixed Personal Pay (w.e.f. 1.11.2007) Fixed Personal Pay together with House Rent Allowance has been fixed at the prescribed rates, and is to remain frozen for the entire period of service. 8. Hospitalisation Expenses 9. Recovery of House and Furniture Rent 10. Professional Qualification Pay (w.e.f. 1.11.2007) 11. City Compensatory Allowance 12. Other Allowances

LITERATURE REVIEW

Jensen and Meckling (1976) and Cadsby et al. (2007), among others, define compensation-based incentives as variable money paid by principals to agents based on their actions or performance. Employees are extremely crucial to the organization since their value to the organization is essentially intangible and not easily replicated (Meaghan and Nick, 2002). Therefore, managers must recognize that employees as major contributors to the efficient achievement of the organization’s success (Abbasi and Hollman, 2000). Locke (1968), Klein (1973) and Ross (1973) published seminal studies on incentives; however, it was mainly in the 1980s and 1990s that using incentives to influence organizational behaviour started being viewed as a major business phenomenon (Zenger and Marshall, 1995; and Bucklin and Dickinson, 2001). The hidden curriculum of workplace learning includes the ongoing process of qualifying, selecting, adapting and shaping the attitudes of employees with regard to organizational culture, workplace tasks and occupational health conditions: this is sometimes a process that is on the verge of indoctrination and manipulation (Gerhardi and Nicolini, 2000; and Ahl, 2006). Katou (2008) conducted a study to measure the impact of HRM practices on organizational performance in manufacturing sector of Greece. The results indicated that the relationship between HRM practices (resourcing and development, compensation and incentives, involvement and job design) and organizational performance is partially mediated through HRM outcomes (skills, attitudes, behavior), and it is influenced by business strategies (cost, quality, innovation). Zulfqar et al. (2011) investigated a
study to examine the relationship and nature of relationship between HRM practices (compensation, performance evaluation, and promotion practices) and the employee perceived performance in the banking sector of Pakistan. Lamba and Choudhary (2013) revealed that how HRM practices provide an edge to employee’s commitment towards an organization goal in the global competitive market. The study concluded that HRM practices such as training and development, compensation and welfare activities has significant effect on organizational commitment and are associated with superior organizational performance, which help in retention of knowledgeable and skilled employees.

RESEARCH METHODOLOGY
Secondary Data: Journals and Research Paper, Newsletters, HR websites.

Objectives of the Study
• To Study the impact of compensation management on performance level of Private bank employees.
• To identify the compensation management practices in banking sector.
• To Study the problems related to Compensation faced by Bank Employees and Employers.

Problems with Banking Sectors
Accumulation of Non-Performing Assets (NPAs), which threatens capital adequacy and continuous stability of banks. In India there are many foreign bank working since many years. They provided the best services to the customer and fulfill the expectations of customer. Now, the current situation has created many opportunity and challenges for Indian new private sector banks. India is a developing country. To reach in rural and village area there is big task for any bank. New private sector banks in India have develop very well. But still it remains a challenge for them to give adequate banking service as sometime employees resist transfer to some distant places due to cultural shock. Risk management is an important task of any bank. There are different types of risk management related with bank like (1) Credit Risk management (2) Market Risk Management (3) Investment Risk management (4) Operational Risk Management. Global Banking: impact of globalization and liberalization becomes kind of challenges for the domestic banks as foreign banks has came up with latest technology and system and facilities. So all new private sector banks have to compete with them. Employee retention always starts with better recruitment of employee. To retain the good employee is big question for human resource manager as banking industry has transformed rapidly in the last decades. If employee transfer form one banks to another it also decrease revenue. In the age of competition all new private sector banks has to face the challenge about employee’s retention. Because they all give health salary packages and perks to their employee.

Impact of Compensation Management on Employees Performance
Good compensation was found over the years to be one of the policies an organization can adopt to increase their employees performance and thereby increase the organizations productivity. Compensation plays a useful role in the relationship between an employer and employee. Employees who are the most efficient are like to be they are motive to perform medina (2002) this relationship mean that rewards and employee performance is expecting theory which means that employee are most to be motivated
performance is more performance to receive the rewards and bonus. The rewards may be cash, recognition both to be acceptable that to achieve the forgets they are performance is well susesi (2002) rewards is the key motive to increase the employee performance to expected well. Give the monthly rewards also increase the performance Osterloh and Frey (2012). Employees are extremely motivated to monthly rewards. The Goal is to satisfy the social exchange process they contribute the efforts Kanfell (1990). Entiwistal (1987) is of the view that 96 employee perform feel them. Organizational rewards result motivated employee. Some other views that recognition in pleasanter the organization favorable works environment motivated the employee Freedman (1978) as cited in Rizwan and Ali (2010). Employee are the important part of any organization increasing the performance they can be motivated through financial and non financial benefits they can designing that you can says that composition is reward which is receiving by the employee to show their performance. Good organization are maintain to design and enable the organizations to attract the highly skilled and qualified employee retain and motivation towards objective and goals achieve and most employee getting is pay (Decenzo and Robbins, 1999). If the employee free that they have not getting good salary they cooking for better employee dissatisfaction with the compensation towards goal attainment towards goals done to be lower .Dissatisfied employee increasing the turnover, Absents am and poor metal health (Welthel and Davis,1996).

**Suggestions**

The management should not consider the compensation as the sole factor for getting the maximum output from the employees. Apart from compensation, importance should also be given to the other issues like autonomy, authority, work environment, motivation etc. The compensation policy and the salary administration should be revised regularly in order to keep the compensation system effective.

To develop human resources, the bank should undertake different human resource development programmes including continuing education and training, IT-orientation, career development, etc.

Banks can send bright employees to abroad on fellowship/scholarship for higher studies and learn new technology in order to attain competence at global level. Banks should organize seminars, workshops, conferences, different short courses, and training programmes on financial matters, current issues, software up gradation on regular basis that would definitely help to develop knowledgeable manpower, create awareness and change mental attitudes among the professionals.

Means technology up gradation is an inevitable aspect to face challenges in this modern age. Now a days quick service is must for each and every banks as generally all customer need to save the time factor. And also they need internet banking and mobile banking facilities so for the fulfillment banks has to give all possible facilities to retain and attract potential customer. Talent management requires a talent culture to be developed so that talent conversations become acceptable throughout the organisation and individuals are encouraged to expand their networks.

**CONCLUSION**

The Performance of the employees depends on the existing compensation and performance management programs at an individual company.
Typically, most employees respond to increases in pay and benefits with a positive and more productive attitude. However, the opposite is true as well. The success of banks largely depends on the intellectual development of the employees. Bank should give some significant power and role to HR director in order to empower the HR departments. This will help to recruit and maintain skilled, knowledgeable and well performed workforce to meet current and future organizational as well as individual needs. The relationship between line managers and those identified as talent requires sensitive management in terms of who should take responsibility for the individual’s development. It is important that talented individuals do not expect their line manager to have sole responsibility for developing their career path, as this can create significant tensions. The relationship needs to be shaped on reciprocal terms, where both the employee and employer benefit.

REFERENCES


