



IMPACT OF MONETARY AND NON-MONETARY INCENTIVES- A COMPARATIVE STUDY ON THE EMPLOYEES OF SBI AND HDFC BANK

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ABSTRACT

The study aims at assessing the impact of monetary and non-monetary incentives on the performance of employees. It is an attempt to know the difference in the impact of monetary and non-monetary incentives on performance between SBI and HDFC bank employees. The data were elicited from the respondents using structured questionnaire. The Mann Whitney U test was used to test the hypotheses formulated for the study. It is found that there is significant difference in the impact of monetary and non-monetary incentives on performance between SBI and HDFC bank employees. The findings of the study state that impact of monetary and non-monetary incentives on performance of HDFC bank employees are higher than SBI bank employees.

KEYWORDS: *monetary incentives, non-monetary incentives, performance indicator*

INTRODUCTION

Employee performance is a critical determinant of the success and growth of any organization. To enhance productivity, banks like State Bank of India (SBI) and HDFC Bank recognize the significance of providing incentives to their employees. These incentives can be broadly classified into two categories: monetary and non-monetary incentives. Monetary incentives involve financial rewards such as bonuses, commissions, and salary hikes, while non-monetary incentives include recognition, career advancement opportunities, flexible work hours, and a positive work environment. This study explores the impact of these incentives on employee performance, drawing a comparison between SBI and HDFC Bank employees.

Monetary incentives play a crucial role in motivating employees to achieve their targets and goals. The promise of financial rewards can drive performance by aligning employees' interests with the organization's objectives. At both SBI and HDFC Bank, monetary incentives are commonly used to reward exceptional performance, foster healthy competition, and retain top talent. At SBI, employees might receive performance-based bonuses and salary increments for meeting predefined targets and key performance indicators (KPIs). These incentives can encourage employees to work diligently, resulting in enhanced productivity and customer service. Similarly, HDFC Bank provides competitive compensation packages, commissions, and bonuses to its employees based on their performance. Such incentives can serve as effective tools to boost motivation and dedication among employees, leading to improved performance and overall organizational success.

While monetary incentives are essential, non-monetary incentives can also significantly impact employee performance. Recognition, for instance, is a powerful motivator that can boost employee morale and foster a sense of appreciation for their contributions. SBI and HDFC Bank both recognize outstanding employees through awards and acknowledgment programs, which can encourage others to excel in their roles. Additionally, a positive work environment and flexible work hours can contribute to higher employee engagement and job satisfaction. When employees feel supported and valued by their organization, they are more likely to be productive and committed to their work.

While both SBI and HDFC Bank utilize both monetary and non-monetary incentives, there may be differences in their approaches and outcomes. The impact of these incentives can be influenced by factors such as organizational culture, leadership styles, and employee expectations. SBI, as a government-owned bank, may have certain constraints in terms of flexibility in remuneration compared to HDFC Bank, a private-sector bank. Consequently, SBI may focus on non-monetary incentives, such as recognition and training, to motivate and retain its employees. On the other hand, HDFC Bank, as a private organization, might have more leeway in providing competitive monetary incentives, which could attract and retain high-performing employees. However, the bank must also emphasize non-monetary incentives to create a positive work environment and encourage career growth. Therefore, both monetary and non-monetary incentives significantly impact the performance of SBI and HDFC Bank employees. While monetary incentives can be powerful motivators, non-monetary incentives also play a crucial role in fostering a positive work environment and encouraging employee



engagement and loyalty. To achieve optimal results, both banks should strike a balance between the two types of incentives, considering their organizational culture and employee preferences. By recognizing and rewarding employee efforts effectively, SBI and HDFC Bank can continue to thrive and achieve sustained success in the highly competitive banking industry.

STATEMENT OF THE PROBLEM

The present research problem is to study the impact of monetary and non-monetary incentives between the performance of employees in State Bank of India (SBI) and HDFC Bank. It aims to understand how these two types of incentives affect the motivation, productivity, and overall performance of employees in the banking industry. Monetary incentives refer to financial rewards, such as bonuses, commissions, or salary increases, provided to employees based on their performance, achievements, or meeting certain targets. On the other hand, non-monetary incentives encompass non-financial rewards, like recognition, career development opportunities, flexible working hours, or a positive work environment.

The study will conduct a comparative analysis between SBI and HDFC Bank employees to identify difference in their performance. The quantitative study 100 numbers of respondents were selected from various branches of SBI and HDFC in Ernakulam District examining the impact of both types of incentives on the employees' performance, the research aims to offer valuable insights to the two banks on how to optimize their incentive strategies and enhance the overall performance and well-being of their workforce. Ultimately, this research can contribute to improving the human resource management practices in the banking sector and potentially be applicable to other industries as well.

OBJECTIVES OF THE STUDY

The study is conducted with the following objectives:

- To analyse the influence of monetary and non-monetary incentives on performance between SBI and HDFC bank employees.
- To find out difference in the impact of monetary incentives on performance between SBI and HDFC bank employees.

- To find out difference in the impact of non-monetary incentives on performance between SBI and HDFC bank employees.

HYPOTHESES

The study is based on the following hypotheses:

- H₀₁:** There is no significant difference in the impact of monetary incentives on performance between SBI and HDFC bank employees.
- H₀₂:** There is no significant difference in the impact of non-monetary incentives on performance between SBI and HDFC bank employees.

METHODOLOGY

a) Sampling

The study is both descriptive and analytical in nature. The impact of monetary and non-monetary incentives on performance between SBI and HDFC bank employees assessed by eliciting data using structured questionnaires. Convenience sampling process were used for selecting the samples for the study. A sample of 100 bank employees from SBI and HDFC Banks in Ernakulam district were taken. .

b) Data collection

Both primary and secondary data were used for the study. Primary data were collected from the bank employees by using structured questionnaires. Secondary data were collected from the websites, newspapers, journals and magazines etc. The opinion of respondents was marked on five point Likert-type scale.

c) Tools used

The data collected were analysed using SPSS. The Mann-Whitney U test is used to test the hypotheses.

RESULTS AND DISCUSSION

The fair response of 100 bank employees from SBI and HDFC banks are selected for the study. Data was found to be reliable with a Cronbach's Alpha above 0.7 of each construct. But data was found to be not normally distributed ($p < 0.05$ in KS Test) and hence, non-parametric procedures were used to draw inferences. The data were analysed using IBM SPSS 22.

FIGURE 1

| | Null Hypothesis | Test | Sig. | Decision |
|---|--|---|------|-----------------------------|
| 1 | The distribution of Monetary Incentives Scale is the same across categories of Bank. | Independent-Samples Mann-Whitney U Test | .120 | Retain the null hypothesis. |
| 2 | The distribution of Non Monetary Incentives Scale is the same across categories of Bank. | Independent-Samples Mann-Whitney U Test | .074 | Retain the null hypothesis. |

Asymptotic significances are displayed. The significance level is .05.

Source: Computed from Survey Data

Mann Whitney U Test

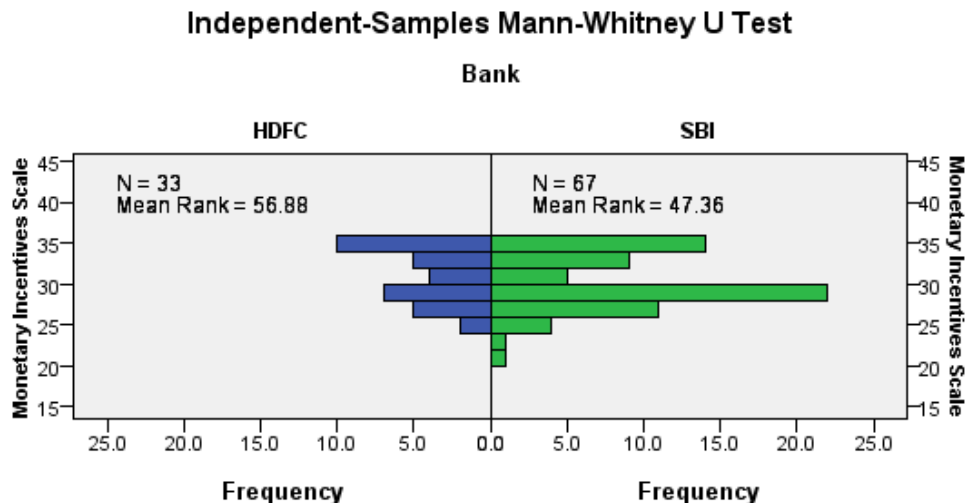
The results obtained from the analysis of the data collected were shown below:

H₀₁: There is no significant difference in the impact of monetary incentives on performance between SBI and HDFC bank employees.

An attempt made to study the difference in the impact of monetary incentives on performance between SBI and HDFC bank employees, Mann Whitney U Test was utilized. As the p value is

greater than .05 significance level, alternative hypothesis is rejected and null hypothesis is accepted. Hence it can infer that, there is no significant difference in the impact of monetary incentives on performance between SBI and HDFC bank employees.

FIGURE 2





| | |
|--------------------------------|-----------|
| Total N | 100 |
| Mann-Whitney U | 1,316.000 |
| Wilcoxon W | 1,877.000 |
| Test Statistic | 1,316.000 |
| Standard Error | 135.369 |
| Standardized Test Statistic | 1.555 |
| Asymptotic Sig. (2-sided test) | .120 |

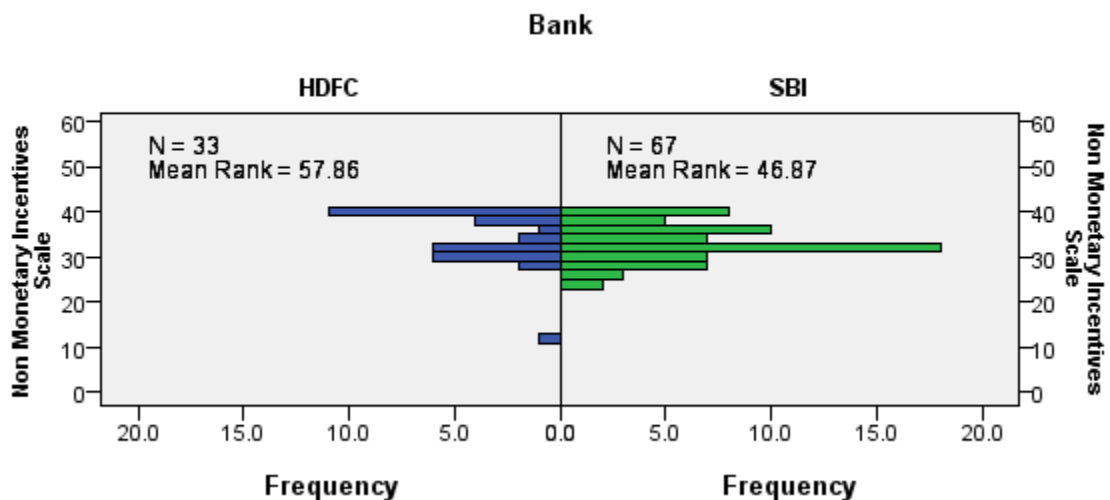
H₀₂: There is no significant difference in the impact of non-monetary incentives on performance between SBI and HDFC bank employees.

An attempt made to study the difference in the impact of non-monetary incentives on performance between SBI and HDFC bank employees, Mann Whitney U Test was utilized. As the p

value is greater than .05 significance level, alternative hypothesis is rejected and null hypothesis is accepted. Hence it can infer that, there is no significant difference in the impact of non-monetary incentives on performance between SBI and HDFC bank employees.

FIGURE 3

Independent-Samples Mann-Whitney U Test





| | |
|---------------------------------------|-----------|
| Total N | 100 |
| Mann-Whitney U | 1,348.500 |
| Wilcoxon W | 1,909.500 |
| Test Statistic | 1,348.500 |
| Standard Error | 135.840 |
| Standardized Test Statistic | 1.789 |
| Asymptotic Sig. (2-sided test) | .074 |

CONCLUSION

The impact of monetary and non-monetary incentives on employee performance between SBI and HDFC Bank can vary due to their unique organizational structures, cultures, and incentive programs. Both types of incentives play significant roles in motivating employees and driving performance, but their effectiveness depends on how well they align with employees' individual preferences and the banks' overall strategic goals. As comparing with the performance between SBI and HDFC bank employees, the impact of monetary and non-monetary incentives on performance of HDFC bank employees are higher than SBI bank employees.

Monetary incentives, such as competitive base salaries, performance-based bonuses, and commission schemes, can serve as powerful motivators in both banks. They can attract and retain talent, encourage higher productivity, and lead to sales and revenue growth. However, it's crucial to strike a balance to prevent potential negative effects, such as increased stress and short-term focus at the expense of long-term strategies. Non-monetary incentives, such as recognition and appreciation programs, career advancement opportunities, and work-life balance initiatives, are equally important in fostering employee engagement and job satisfaction. These incentives contribute to a positive work culture and a sense of purpose, promoting employee well-being and long-term commitment.

To optimize the impact of incentives, SBI and HDFC Bank should consider tailoring their programs to suit employees' roles and preferences. Transparent communication, timely feedback, and continuous evaluation are essential for successful incentive implementations. Moreover, fostering a collaborative work environment that combines both types of incentives can help strike a balance between individual performance and teamwork.

By consistently evaluating the impact of their incentive strategies and adapting them to meet changing employee needs, both SBI and HDFC Bank can create a motivating and rewarding work environment. This, in turn, it will lead to enhanced employee performance, increased organizational success, and a more engaged and dedicated workforce contributing to the banks' growth and prosperity.

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