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The Importance of Monetary and Non-Monetary Motivation Employed by Private Banks for Retaining Employees

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Abstract*: The primary labor management difficulties that are expected to be of utmost importance in the near future are likely to revolve around the issue of employee retention. Research suggests that firms which align their organizational behavior with the demands of the contemporary workplace by offering both financial and non-financial incentives as part of their people management strategy are likely to achieve future success. In fact, the dynamics of the workplace should mirror a heterogeneous community of individuals with varying motivations, perspectives, and beliefs. Value systems exhibit significant variations both among themselves and in comparison to previous eras. This problem is particularly widespread given the current economic conditions and resulting company downsizings, which greatly amplify the departure of essential staff in private sector banks. This research study demonstrates a correlation between monetary and non-monetary incentives and employee retention in banks.*

Keywords: Motivation, Financial rewards, Non-financial rewards, Employee retention, Private sector banks

I. INTRODUCTION

The consensus is that the main objective of human resource management is to develop solutions that enhance employee work satisfaction. Employees anticipate compensation for their skills and endeavors, encompassing both financial and non-financial aspects. Employee retention encompasses the strategies and protocols that organizations adopt to prevent valuable people from resigning from their roles. It involves implementing strategies to promote staff retention for an extended duration within the firm. Employers must ensure that they recruit individuals who possess a high level of expertise for the role. However, it is even more important to focus on retaining these employees once they are hired. This statement is accurate since numerous firms fail to accurately assess the costs related to the departure of key individuals (Ahlrichs, 2020).

To ensure positive connections between management and employees, firms should establish human resource policies and procedures that align with their core values and principles. These strategies should encompass the processes of selecting and recruiting employees, providing training and development opportunities, and effectively managing employee performance. Nevertheless, several human resource departments alone establish regulations to specifically tackle existing concerns or requirements (Oakland & Oakland, 2001). The sustained profitability of a company is contingent upon the retention of competent employees.

Non-monetary incentives are the most successful in motivating employees to work. Employees motivated by financial gain were shown to be resorting to expedient methods, resulting in subpar production. (Masclet et al., 2003) observed that nonmonetary forms of acknowledgment will be positively received. Stein (2011) presented a study that showcased the advantages of implementing non-monetary incentives. He claimed that the cost related to non-monetary motivation would be lower in contrast to the monetary worth of the inducement. This analysis just takes into account the immediate future; but, in the long term, the effects will go beyond only the individual's income, as financial incentives may gradually lose their effectiveness without making a substantial difference.

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II. REVIEW OF LITERATURE

Grela et al. (2008) argue that firms should prioritize the aspects that impact employee retention in order to achieve growth and success. Research indicates that firms are more adept at adjusting to continuous organizational change when they implement retention strategies that effectively address the needs of all employees.

According to the Gale Group, the personnel were mentioned in 2006. Recent research indicates that there are new trends influencing modern retention techniques that extend beyond the conventional factors of remuneration (Feldman, 2000), salary, and perks, which are crucial for motivating employees. One effective approach to retaining employees of all age groups is to provide job security through non-monetary incentives (Yazinski, 2009). Research indicates that providing individuals with job security increases their likelihood of remaining employed for an extended period of time by fulfilling their need for validation (Redington, 2007).

Non-monetary perks are concrete incentives offered and overseen by a company, although they may not always deliver cash benefits to employees (Chiang and Birtch, 2008). Contemporary individuals desire more than mere financial compensation for their labor. It indicates that people are seeking something beyond monetary compensation for their work - something that holds significance and worth for them (Johnson and Welsh, 1999). Organizations are increasingly using non-monetary awards to motivate employees and enhance their job satisfaction (Chiang and Birtch, 2008).

Mason and Watts (2010) posited that a significant association exists between workers who are driven and the non-financial benefits they encounter in their workplace. These incentives greatly diminish stress levels, employee turnover, and absenteeism. This will enhance market dynamics, competition, profitability, and productivity. In his 1998 study, Dean conducted a comparative analysis of cash prizes and related alternatives, yielding a significant finding. Monetary incentives were found to be less motivating when compared to non-monetary incentives. The highest-earning employees are not necessarily the ones who do the best.

Statement of the problem

Both financial institutions and employees incur financial losses when an employee departs. According to Mitchell, Holtom, and Lee (2001), bank employees experience significant financial and psychological burdens, while employers face considerable expenses in terms of finding replacements and dealing with hidden organizational costs. When a person departs from their role, the business suffers a substantial economic effect due to the loss of valuable information and expertise.

The employment relationship is encountering inherent challenges that may impact the motivation and retention of skilled personnel. Additionally, a scarcity of talent has resulted in fierce competition (Flippo, 2001). Fitz-enz (1997) asserts that an organization's long-term performance is heavily reliant on its ability to effectively manage and utilize its people resources, which are considered to be of utmost importance. Failing to address high turnover rates can be extremely costly, as the performance of an entire department or organization can be heavily influenced by a single key individual.

Objectives of the research

1. to examine the staff retention policies used by private sector banks as part of their talent management initiatives.
2. to examine the correlation between financial rewards and the ability to retain employees.
3. to examine the correlation between non-monetary incentives and employee retention.
4. to examine the effects of both monetary and non-monetary incentives on employee retention.

III. DISCUSSION

Employee retention in this study refers to the duration of an employee's tenure with banks, their commitment to staying with banks, and the effectiveness of banks' policies and practices. It measures the extent to which employees continue in their job for an extended period of time, which is influenced by the monetary and non-monetary incentives provided by banks as part of their talent management strategies. The correlation coefficient between Non-Monetary incentives and staff retention was 0.33, suggesting a moderate effect size. This association suggests that there is a positive relationship between Non-Monetary incentives and staff retention. The correlation coefficient between Non-Monetary incentives and staff retention was 0.28, suggesting a moderate level of impact. This association suggests that there is a

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positive relationship between the growth in non-monetary incentives and staff retention. The presence of non-monetary incentives did not have a significant impact on job satisfaction, as indicated by the coefficient B = 0.10, t(147) = 1.22, p = .216. According to this sample, a single-unit increase in Non-monetary incentives does not result in a substantial impact on Employee retention. The presence of monetary incentives had a strong positive effect on employee retention, as indicated by the regression coefficient (B) of 0.88, t-value of 7.09 (with 147 degrees of freedom), and a p-value less than 0.001.

IV. CONCLUSION

In addition to non-monetary perks such as complimentary meals, covered transportation expenses, paid family leave, and access to healthcare, banks utilize pay and bonuses as financial incentives to attract employees.

The higher your position in the organizational hierarchy of banks, the greater your opportunities to avail advantages such as ESOPs (Employee Stock Option Plans), paid vacations, insurance policies, and luxurious employer-provided housing.

In many banks, junior and midlevel staff may be eligible for some of these incentives, depending on their performance. These benefits are commonly employed to retain the most skilled employees, as part of Talent management methods.

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