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Relevance of Financial and Non-Financial Incentives for Retaining Employees in Light of Private Sector Banks' Strategies

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Abstract: *For the foreseeable future, staff retention issues are expected to be the most important labour management concerns. According to study, businesses will succeed in the future if they modify their organisational behaviour to reflect the realities of the current workplace by offering both monetary and non-monetary incentives as a part of talent management techniques. Actually, workplace dynamics must take into account a diverse population made up of individuals with various motivations, viewpoints, and beliefs. Value systems now differ greatly from those of the past and from one another. The current economic situation and associated corporate downsizings, which exponentially accelerate the loss of essential staff in private sector banks, make this problem particularly common. This study examined the relationship between monetary and non-monetary incentives and the bank's staff retention rate using a sample of 150 respondents who worked in middle management positions.*

Keywords: Employee retention, Financial incentives, Non-monetary incentives, and Motivation

I. INTRODUCTION

It is widely accepted that the main objective of human resource management is to develop techniques to increase employee work satisfaction. Employees anticipate receiving compensation for their services and efforts, whether monetary or not. The practises and guidelines that companies put in place to prevent important employees from leaving their employment are referred to as employee retention. It comprises implementing measures to motivate workers to stay with the company for as long as possible. Although a company must select qualified candidates for the position, retention is even more important. This is accurate because, according to Ahlrichs (2000), many businesses undervalue the costs of losing key personnel.

Organisations should create human resource policies and strategies that are consistent with their values in order to sustain respectable relationships between management and employees. Selection and recruiting, training and development, and performance management should all be part of these plans. However, some human resource departments merely develop policies to respond to recent problems or needs (Oakland & Oakland, 2001). The capacity to retain talented employees is crucial to a company's long-term profitability.

The best forms of incentive at work are those that are not monetary. Employees who were working for financial gain were perceived as cutting corners, which resulted in subpar production. Non-monetary appreciation will be well received, according to (Masclet et al., 2003). Stein (2011) also discussed the advantages of using non-monetary incentives in a paper. He claimed that compared to the monetary value of the incentive, the cost of non-monetary motivation will be lower. In the long run, it will be over and beyond the individual's wage, while financial incentives may only wane without having a big impact. This is only considering the short term.

II. LITERATURE REVIEW

Grela et al. (2008) contend that for businesses to expand and flourish, they must focus on the elements that affect employee retention. According to studies, businesses that have retention strategies that successfully satisfy everyone's needs are better equipped to adjust to continuing organisational change.

(Gale Group, 2006) Personnel. According to research, the traditional compensation (Feldman, 2000), salary, and benefits packages that are at the core of employee motivation are not the only developments that are transforming modern retention methods. Offering work stability in the form of non-cash benefits is a good retention approach for staff members of all ages (Yazinski, 2009). Studies show that giving people a stable employment helps them work longer by satisfying their need for approval (Redington, 2007).

Non-cash benefits are tangible incentives that are offered and managed by a company but may not always be helpful to employees monetarily (Chiang and Birtch, 2008). People today expect more from their work than merely monetary compensation. It demonstrates that people are seeking something more meaningful and valuable than money in exchange for their contributions (Johnson and Welsh, 1999). Non-monetary incentives are being used more frequently to boost staff morale and performance (Chiang and Birtch, 2008).

Mason and Watts (2010) likewise believed that motivated employees and the non-financial benefits they received at work had a strong association. Stress levels, turnover, and absenteeism are all dramatically decreased by these incentives. The market, competition, profitability, and productivity will all rise as a result. When Dean (1998) compared cash-based prizes to others that were comparable, he discovered something crucial. The monetary incentives did not motivate as much as compared to non-monetary ones. The best performers aren't typically the most paid employees.

When an employee leaves, both the employer and the employees lose money. While replacement costs and hidden organisational costs are significant for employers, bank workers find the financial and psychological expenses onerous (Mitchell, Holtom, and Lee, 2001). Since information is lost when an individual leaves their job, losing any of an organization's key personnel has a major financial impact.Due to a talent shortage, there is fierce competition among employees, and these issues may affect how motivated and retained talented workers are (Flippo, 2001). Fitz-enz (1997) asserts that an organization's ability to effectively manage and use its human resources, which are regarded as being the most important, has a significant impact on the organization's long-term performance. Since one key employee can determine the success or failure of an entire department or firm, doing nothing about high turnover rates is extremely costly.

III. CONCLUSION

Salary and bonuses are among the monetary incentives used by banks to recruit employees, along with certain non-monetary ones like free meals, paid transportation, paid time off with family, access to healthcare, etc.

The further up in the banking organisation you are, the more likely you are to benefit from perks like ESOPs, or Employee Stock Option Plans, paid vacations, insurance plans, and luxury housing that is paid for by their employers. Junior and midlevel employees in many institutions may also be qualified for some of these incentives based on their performance. In other words, these incentives are routinely used as part of talent management methods to retain the best employees.

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