

# Impact of Human Resource Practices on Motivation of Employees in Banking Sector of Pakistan

Saba Zehra\*

Lecturer in Department of Commerce, Federal Urdu University Arts, Science & Technology, Karachi, Pakistan  
B-128 New Rizvia Cooperative Society, Scheme 33 Sector 34 A Karachi, Pakistan

Dr. Tahir Ali

Dean of Administrative & Management Sciences, University of Karachi, Pakistan

## Abstract

Motivation of employees is key factor for successes in any organisation and it is largely depends on human resource practices of organisation. The aim of the study is to find out the relation between human resource practices (Compensation packages, training programs and promotion) and motivation of employees of banking sector. Banking sector of Pakistan has been showing tremendous performance from last two decades and role of employee can't be overlooked in this regards. Compensation packages, training programs and promotion policy have direct influence on motivation level of employee. Data is collected through questionnaires and interviews. Sample of 300 employees and 50 branch managers of banks are selected for filling questionnaire by applying stratified sampling on banks. Result reveal that employees are much concerned about compensation packages, training programs and promotion policy and consider them as career milestone but they are not highly satisfied with their compensation packages, training and promotion policies. Although managers are more satisfied as compare to other employees in this regard but majority of employees are not highly satisfied in this regard.

**Keywords:** Motivation, compensation packages, promotion policy, employees of banks

## 1. Introduction

Human resource management of organisation influences on efficiency of employee and develop them in effective manner. In the context of HRM, motivation of employees for job performance is important factor for success and attainment of organization's goals. Employee's performance with their best abilities, enthusiasm, commitment and passion to work grow business significantly and continuously (Rao 2008). According to founder of IBM Thomas J Watson, you can invest capital and construct office but it takes people to build a business. Former director of General electric Jack Welch also believes employees are backbone of organisation as they develop and use technology, contribute great ideas for innovations in products, deliver superior customer services, handle information properly and execute strategies. Compensation packages, training and development, performance appraisal, recruitment policies and maintaining morale are described as practices of HRM by Carlson and his colleagues (Carlson et al, 2006). Motivating leads to fruitful performance by employees and employee's engagement, appreciation by management, reward and career growth are important factors for motivation. Like other sectors of economy human resources of banks are extremely important as the banking sector lies in providing services to customers. The way in which bank management employ their human resource determines the success of banking operations. Motivation works like an important tool to employees and urge them to fully utilize their potential to perform given task. This study examines the effect of HR practices (compensation and promotion) on motivation of employees in banking sector and provides the information about important research area specifically banking sector of Pakistan.

### 1.1 Statement of problem

In dynamic environment performance and survival of organisation among other factors largely depend on motivation and performance of employees. The motivated employees have dedication to work and feel the responsibility of quality and self-satisfaction is essential for them. Motivation increases association with job and make work more meaningful and interesting. Intensity of struggle for definite target is motivation of employees for achieving organisational and personal goals. Employee apply their skills and abilities for given task but motivation is crucial for effective performance. Therefore, motivation of employee is big challenge for management of organisation. Top management of banks usually take many measures to increase motivation of their employee but it is not an easy task.

### 1.2 Research Objective

The main objective is the study to analysis level of motivation of employees effected by compensation packages, training and promotion policy.

### *1.3 Significance of research*

Compensation packages, training and promotion policy effect on employee motivation level as well as their performance. Researchers emphasize that there is a strong relation between employee motivation and their performance and they cannot be isolated. The relationship between motivation and job performance has been one of the important research area in the field of management but in Pakistan few studies have explored the concept especially on employees of banking sector. Present study provides guideline to management of bank about tools of generating and enhancing motivation among employees.

## **2. Review of literature**

A motivated employee is enthusiastic to achieve organizational goals, therefore individuals enforces their efforts in particular direction. Better performance can be achieved by motivation of employees and provision of support of morale for their respective works. Motivation increases the desire to perform, thus increasing effectiveness of the organization. Theories of Maslow, Herzberg, Vroom, Alderfer, Adam, Mc Gregor and Skinner etc. explain motivation.

### *2.1 Motivation*

Motivation is an energy to impulse human being to do what they want to do. Individual motivation is influenced by internal factors like personal need and expectations as well as external need like rewards and benefits. Motivating leads to fruitful performance by employees. Employee's engagement, appreciation by management, reward and career growth are important factors for motivating employees for better performance. Luthans (1998) asserts that motivation is the process that arouses, energizes, directs, and sustains behavior and performance. Motivation can be defined as the human behavior which is thrilled, aimed and is continuous. (Meija, Barkin & Cardy, 2004) whereas, Tyson (2006) viewed that motivation is a force inside the human beings which pushes them to behave in variety of ways. He also agreed to the point of that one of the motivational behavior's characteristics is its certain direction.

### *2.2 Practices of human resource*

Professional development is the process of developing employee's skills and experience to achieve the goals of organization along with personal. Professional development is not only beneficial for the organization but it is also important for the employees. Organisation adopts various practices to bring positive change in behavior of employees. Following are some important aspects of HR practices.

#### *2.2.1 Compensation packages*

Al-Harthy (2007) proves that motivation caused by appreciation has exceeded salary and benefit packages with a significant 10% point difference. According to the study conducted by Eisenberger, Rhoades, and Cameron (1999), factors such as good performance, high perceived self-determination and performance-reward expectancy positively impact employees intrinsic motivation. If employees expect to be rewarded for performing a task well, their motivation will increase to perform it well. Eeden.R & Roos.W in 2008 published in SA Journal of Psychology with the title "The relationship between employee motivation, job satisfaction and corporate culture" This study regarded motivation and job satisfaction as key determinants of organizational success both are influenced by corporate culture. 118(87%) employees of South Africa University participated in the study. A thorough understanding of the nature and significant sources of motivation and job satisfaction, insofar as these concepts are related to corporate culture, can enable employers to effect the required positive strategic changes towards optimal employee loyalty and retention. (Eeden.R & Roos.W 2008).

#### *2.2.2 Promotion policy*

The real success of organization depends on utilization of employee's abilities and increment of his interest towards organization. Loyalty of employee urge him to increase the positive inputs by employee for achieving organizational goal. The prospect of promotion encourages the good workers to stay and invest in specific human capital. Even when an employer understands the motivating effects of promotions, it must still establish a policy for administering promotions and managing job advancement. This may include discussing opportunities for advancement during employee performance evaluations or allowing all workers with a given level of experience to apply for executive position openings. With promotion often comes an additional incentive that may reinforce employee motivation to succeed and improve productivity. Good performance leads to promotion.

#### *2.2.3 Training programs*

A training program is an effort by the employer to provide opportunities for the employees to acquire job interrelated skills, attitudes and information. Training helps employees to bridge the gap between their present level of performance and their desired level of performance. There are various factors like training, technology, management behavior, and working environment, where each factor contributes to employee performance. The research is conducted by Khan MI with title The Impact of Training and Motivation on Performance of Employees published in Business Review in 2012. The aim of research is to study the impact of training on

performance of employees. Respondents for the questionnaire were randomly chosen from one institute (Federal Urdu University of Arts Science and Technology Islamabad) and one bank (Habib Bank). A sample of 100 employees from the above mentioned organization is taken for study and data collection instrument is structured questionnaire. To measure the relationship and identify the impact of training on employee's performance, statistical tools are applied on data like Pearson correlation and regression analysis through SPSS software. The study found that there are two factors influencing employee's performance that are training and motivation in the organizations. Institute having good training plans for employees can enhance the performance of employees in better way as compare to others.

### 2.3 Relation of human resource practices and motivation

#### 2.3.1 Compensation and motivation

Motivation is an energy to impulse human being to do what they want to do. Individual motivation is influenced by internal factors like personal need and expectations as well as external need like rewards and benefits. Good compensation packages show that top management is considering their effort for organisation. Most of employees are motivated through monetary benefits for fulfilment of their basic requirements. In 1987, Carla S O Dell wrote in his book that a survey was conducted by American Compensation association & American Productivity Centre about relation of compensation and motivation of employees. Result showed that among 1500 employees around 89% believed that monetary benefits are very positive for performance and motivation. Two factory theory of Herzberg also highlights the importance salary and benefits and their relation to motivation.

#### 2.3.2 Promotion and motivation

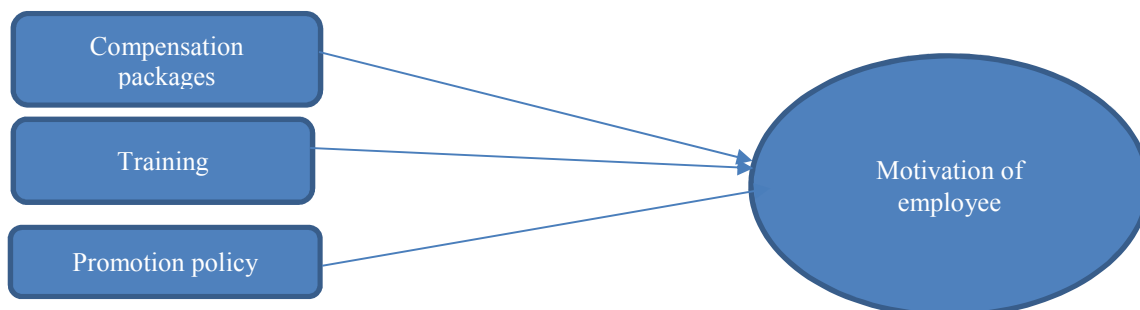
Promotion of employee enables the organisation to utilize the abilities and skills of employee in most effective manner. New post generally provides an increase in pay, responsibilities and prestige. On the other hand, if employee sense little opportunities for career growth and no appreciation from management for their hard work then they don't feel motivation in their work. Lauren Connon wrote in his article published in Dec 2010 in Inc. Magazine with title "How to promote from within" and emphasized that recognition of employees is crucial. Employer who doesn't care and recognize their employee through promotion may lose their competent worker.

#### 2.3.3 Training and motivation

Majority of employee believe that training brings positive change in their performance. Banks management also consider importance of training and allocate reasonable amount as training expense and show it in their financial statement separately. Human resource experts advise that proper training programs boost up morale and motivation of employees and also increase their performance. Training involves changing skills, knowledge, attitude and perception about work and reduce the chances of errors. Well trained employees need less supervision and they are more motivated as compare to untrained employees.

## 3 Research framework

Banking sector of Pakistan has been showing tremendous performance and earned profit (before tax) of Rs150.4 billion with strong return on assets (ROA) of 1.8 percent and return on equity (ROE) of 22 percent in year ended June 30, 2017(report issued by State bank of Pakistan).Among all other factors contribution and motivation of employees can't be denied in achieving these remarkable targets. Motivation is connected with Human resource policies of bank and among all other policies compensation and promotion policy greatly effect on motivation of employees.



Researchers suggest that there is strong relation of compensation and motivation of employees. Among all other factors contribution and motivation of employees can't be denied in achieving these remarkable targets. Motivation is related with Human resource policies of bank and compensation and promotion policy effect on motivation of employees. To analysis the situation data is collected through various sources.

### 3.1 Research methodology

The study is designed to analyze the satisfaction level among employees of bank for their compensation packages training and promotion policy of banks. According to Publication of State bank of Pakistan there are 34 banks which are operating in Pakistan in 2018. These banks are divided in four categories e.g. public, private, foreign and Islamic banks. 30% banks from each category is selected and around 350 employees of banks are taken as sample. For collection of data primary sources are managers and first line employees of banks. The term manager is used for branch manager and non-managers for other employees and different questionnaires are used for each category. Different attributes are asked and options are varied from very highly satisfied to very low satisfied on 5 scales. Primary data is collected through questionnaires (300 from non-managers and 50 from managers of bank) & interviews (from area manager) and secondary data were taken from annual reports of banks, research journals, newspaper, books and websites.

## 4 Hypotheses

- H<sub>1</sub>: There is significant relation between motivation and compensation of employees
- H<sub>0</sub>: There is no significant relation between motivation and compensation of employees
- H<sub>2</sub>: There is significant relation between motivation and promotion of employees
- H<sub>0</sub>: There is no significant relation between motivation and promotion of employees
- H<sub>3</sub>: There is significant relation between motivation and training of employees
- H<sub>0</sub>: There is no significant relation between motivation and training of employees

## 5 Data analysis and discussion

Employees of bank have direct relation with customer so their motivation for job performance is crucial. To achieve desired result the one of the major needs of financial institutions is availability of highly motivated employees, as they are considered to be an important asset for any organization. In this study, motivation as one of the most important factors potentially contributing to the performance of employees has been examined in relation to the banking sector. Staff cost (salaries, benefits & allowances) is almost 51.9% of total operating cost which is near by 52.2% in 2015 (KPMG survey on banking sector of Pakistan, 2016). Data is collected from 50 branch managers of bank and 300 employees (non-managers) to analyze the present situation in banking sector of Pakistan and following discussion shows the feedback of employees about HR practices (Compensation packages, training programs and promotion).

### 5.1 Compensation packages

Top-performing employees significantly influence the competitiveness and productivity of organization in general and particularly in banking sector. While analyzing the performance of employees, salary is considered as an important factor for motivation in every organization. Considering the economic condition of our country (Pakistan) mostly people deprived for wages and large number of people lies on middle and below middle class level. Mostly people lives on hand to mouth and important element for their living is wages or salary. Keeping in view the importance of salary package, specific question is included in questionnaire to evaluate the value of salary in eye of managerial and non-managerial employees in banking sector. Data collected through the questionnaire shows the level of satisfaction for salary packages for managers and other employees. Surprisingly, overall analysis indicates that generally employees are not much satisfied with their compensation packages. It's also interesting that analysis of this element reflect that people are confused or indifferent about their compensation plans. Views of managers about the role of salary in their performance indicate that most of managers (77% of sample) are either indifferent or slightly satisfied with their salary packages. Specific analysis of impact of salary on motivation of managers indicates the mean value of -0.428 with above 60% of managers are indifferent position (figure 1.1). This shows that majority of sample are confused and do not have a clear answer in their mind about their salary. Mostly employees believe that they are not getting sufficient remuneration of their effort in the job which they are performing restlessly. Such type of situation is usually alarming and sometime dangerous because it does not give clear picture of employee towards their behavior and it can be shifted either side. Furthermore, it can also be noted that no manager shows dissatisfaction about their salary and its impact on motivation and job performance. Although, Satisfaction level only shows by less than 40% managers with very nominal number of managers shows their high level of satisfaction.

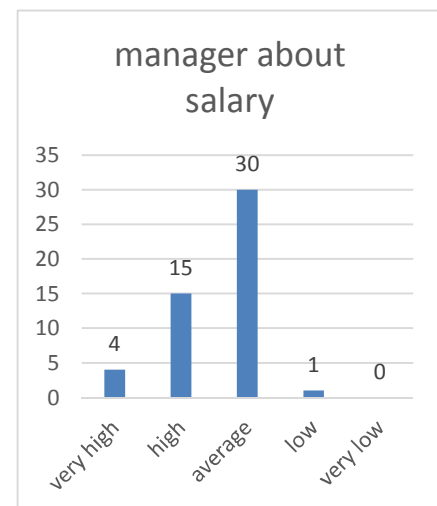


Figure 1.1

In the light of data collected through questionnaire from non-managers shows that non-managerial employees are seems to be indifferent or less satisfied with salary. It's also important that 17% employees of sample show their clear dissatisfaction on their salary packages (Figure 1.2). Specific analysis of impact of salary on motivation of employees indicate mean value of -0.133 .It shows that 49% of employees are at indifferent position.30.5% are highly satisfied, only 3.3% are very highly satisfied . 11.6% replied their low level of satisfaction and 5% viewed their salary package at very low satisfaction level. Almost above 30% of sample is satisfied with their salary package while other 70% are indifferent or less satisfied. (Appendix 1 A1). This situation is not good for organization as well as for employees because less satisfaction create frustration and other psychological issues among employees.

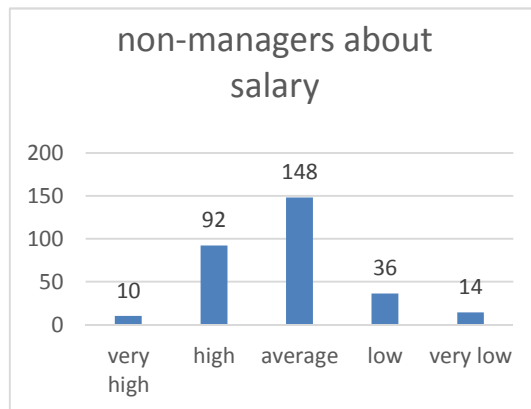


Figure 1.2

### 5.2 Promotion policy

Promotions stimulate employees by appealing to their sense of ambition. It motivates workers whose career anchors include the desire for autonomy, independence, authority and competence. Employees who see these as attainable goals through promotions will work to demonstrate their supervisory and leadership skills. Promotion is an important factor for employee motivation. Fair promotion policy by management encourages hard workers. According to data collected through questionnaire, 53.8% managers consider their banks have fair promotion policy and they are highly satisfied.47.7% view as average. According to data collected from bank employees 3% of them consider promotion policies of their banks are very highly satisfied, while 26.9% are highly satisfied ,49.7% view their policies are average 10%

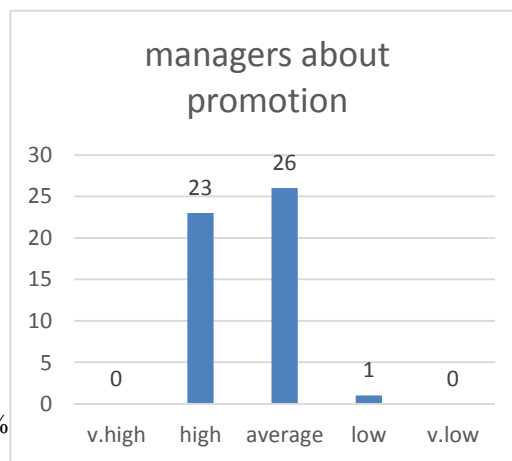


Figure 2.1

employees have low level of satisfaction and only 11% believe it as very low. Keeping in view the importance of promotion policy specific question is included in questionnaire to evaluate the fairness promotion in eye of managerial and non- managerial employees in banking sector of Pakistan. Data collected through the questionnaire shows that in opinion of manager, most of them are quite satisfied with promotion policy of bank. Usually banks in Pakistan have definite procedure for promotion and employees are well-informed about it. 53.8% of mangers are highly satisfied but surprisingly no one is very highly satisfied among all managers about promotion policy (Figure 2.1). Almost 47% showed indifferent regarding promotion policy. Although 52% are highly satisfied 48% are indifferent and viewed it average. -0.5 mean value indicate managers are at indifferent position. It shows majority of sample do not have clear idea about it. No is very highly satisfied and none highly dissatisfied. Data collected through non -managers only 33% are satisfied and other around 67% are not satisfied(Figure 2.2) &(Appendix A1B1) It is noticeable situation for management that majority (67%) believe promotion policies

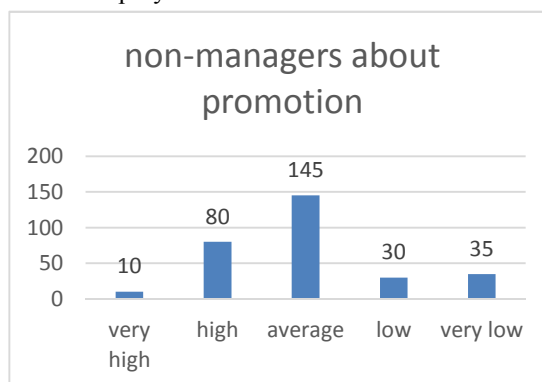


Figure 2.1

are not fair. Dissatisfaction leads to many problems like inefficiency, anger toward management, frustration and willingness to switch job.

### 5.3 Training program

A training program is an effort by the employer to provide opportunities for the employees to acquire job interrelated skills, attitudes and information. Training helps employees to bridge the gap between their present level of performance and their desired level of performance. The challenge for the organization is to design training options that give employees the information or skills they need and then measure whether those training options were effective in producing desired outcomes. Banks arranges different programs for junior employee as well as senior management and executives. For new employees training course are designed to orientate the participants about operational Banking. The trainee officers are benefited by a good opportunity to have a training session with Director and executives of Top management. Bank takes regular feedback from employees for improvement of course and training style. Bank also arranges work shop and training session with collaboration of SBP & IBP. Training and development are continuous process in improving the caliber

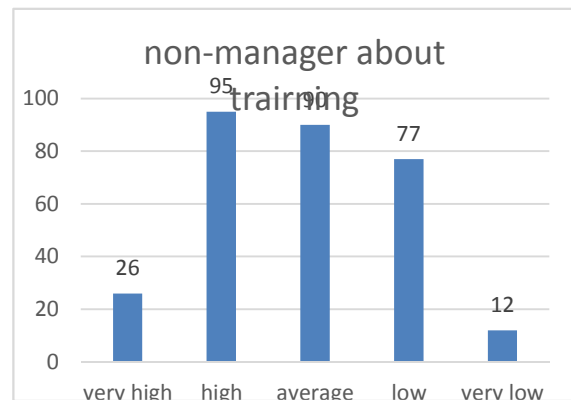


Figure 3.1

of employees. It is an attempt to improve their current and future performance but the organization should keep a track on their performance after imparting them training it means training needs assessment. According to data collected through questionnaire 31.4% employees (non-managers) are highly satisfied with training programs of their banks, 30% consider it average, 8.5% believes they are very highly satisfied while similar % of employees views their satisfaction level low and only 4.2% seems it very low. , although they are not highly dissatisfied but the situation can be complicated or even worse as they shift towards low level of satisfaction regarding training. SBP issue guideline for training on September, 2016 “ *The training and development budget shall specifically be made part of an overall budget document to be discussed and approved by the Board of Directors on annual basis. Further, the training and development budget may ideally be linked with overall size*

training needs assessment. According to data

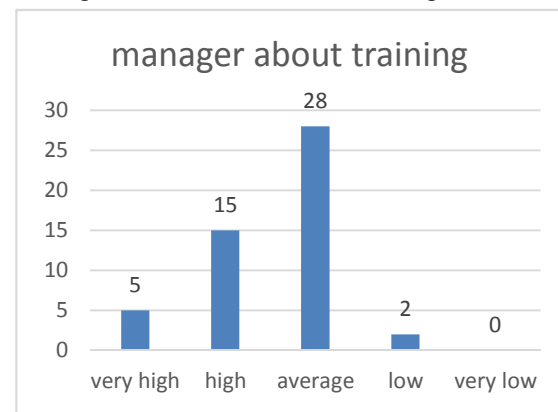


Figure 3.2

*and complexity of operations of a bank or with certain percentage of administrative expenses”.* Almost all bank give

importance to training programs. Some banks establish proper training centers for employees and SBP also help for arrangements in SBP. IBP also provide opportunity for training of bank employees.

The data collected through managers shows that 40% are satisfied and 60% view it average. Banks invest huge capital for training of employees and show training expense in their financial statement. SBP encourage technological advancement and employee need training to match their self with future need. In this regard policy of SBP is as follows. “*It would be encouraging if banks may explore new training channels like mobile based learning, webcasting, video conferencing, virtual classroom services etc. which will ultimately help banks to reach a wider range of employees.*” Training programs influence on motivation of employee and increase their level of efficiency.

## 6 Conclusion and recommendation

Researches indicate that monetary benefits are important to employees. Although salary is not the sole motivator and increase in salary not always bring desired changes in performance but absent of satisfaction in this regard create de-motivation (Hertzberg)). Data indicate majority of employees are not highly satisfied with salary packages and promotion policies. It means there is a frightening situation in which most of employees are dishearten. Overall results indicate that employees are not highly satisfied with compensation packages and most of them are indifferent which means they don't have clear idea about it. For career growth the situation is similar and majority are not in favor of highly satisfied position.  $H_1$ ,  $H_2$ ,  $H_3$  hypotheses are accepted and their null hypotheses are rejected. In the light of above discussion following recommendations are provided to top management of banks.

### 6.1 Recommendations

- Banks should improve compensation packages especially for non-managers.

- Management should hire more employees to minimize burden on existing employees.
- Long working hours is a major problem for employees and bank should take measures to reduce it.
- Training programs should be modernized rather than traditional approach
- Policies regarding employees should be clear, transparent and well communicated.

### Direction for further research

Motivation of employees is essential for success of organisation. Present study focus on HR practices specifically compensation, promotion and training but other aspects are also important e.g. Working condition, job design and working hours etc. Future research on these parameter can also provide new guideline for management to motivate their employees.

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Table 1A Level of satisfaction regarding salary package

S.no	Salary package Characteristic	Code	Manager		Non-manager	
			f	fx	f	fx
1	Very high	-2	4	-8	10	-20
2	High	-1	15	-15	92	-92
3	Average	0	30	0	148	0
4	Low	1	1	1	36	36
5	Very low	2	0	0	14	28
	<b>Total</b>		<b>50</b>	<b>-22/50</b>		<b>-48/300</b>
	<b>fx/x</b>			<b>-0.44</b>		<b>-0.16</b>

Table 1B Level of satisfaction regarding promotion

S.no	Promotion Characteristic	code	Manager		Non-manager	
			f	fx	f	fx
1	Very high	-2	0	0	10	-20
2	High	-1	26	-26	80	-80
3	Average	0	24	0	145	0
4	Low	1	0	0	30	30
5	Very low	2	0	0	35	70
	<b>Total</b>	<b>50</b>		<b>-26</b>	<b>300</b>	<b>0</b>
	<b>fx/x</b>			<b>-0.5</b>		<b>0</b>

Table 1C Level of satisfaction regarding Training programs

S.no	Training Characteristic	Code	Manager		Non-manager	
			f	fx	f	fx
1	Very high	-2	5	-10	26	-52
2	High	-1	15	-15	95	-95
3	Average	0	28	0	90	0
4	Low	1	2	2	77	77
5	Very low	2	0	0	12	12
	<b>Total</b>		<b>50</b>	<b>-72</b>	<b>300</b>	<b>-58</b>
	<b>fx/x</b>			<b>-0.46</b>		<b>-0.19</b>