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## Employee Engagement and Its Impact on Business Outcomes - A Comparative Analysis with Reference to Banking in Uttarakhand

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### Abstract:

*The current research study explores employee engagement in public and private sector. The study explores and enumerates the factors which would lead to employee engagement in public and private sector in banks. The objective of the research study was also to investigate the impact of employee engagement on business outcomes of both public sector and private sector banks. The sample consisted of 240 employees and customers of public and private sector banks of Uttarakhand. The study used self framed questionnaire designed to measure employee engagement and business outcomes. The data were analyzed with the help of Man-Whitney U test and Spearman's correlation test in order to see the significance of difference between various groups and to find out the impact. The impact of employee engagement on business outcomes was found to be better in case of private sector banks. The difference between employee engagement of private sector banks and public sector banks was also found to be significant.*

**Key words:** Employee engagement, Banking, Business outcomes.

## **Introduction**

In today's rapid changing business environment where the customer have become more conscious and intellectual and where the demand from customers for banking products and services is increasing day by day it become very difficult for the manager to satisfy the customers. In order to satisfy the customers and meet the customers requirement bank personnel are trying to find out the means for the same. In the last decade time, many studies were done by observing and understanding the customer needs and their satisfaction. Each and every banking industry has identified two important versions which help in improving their performance in all respects. One is providing them best services and products and second is offering intellectual employees to satisfy them. It has been found that directly or indirectly in order to achieve the above two objective companies need committed and engaged employee who can serve as a pillar for companies and help in their growth. Therefore, employee engagement has become the major concern in every organization. Companies need to ensure that, in philosophy and practice, they acknowledge the importance of the manager in retaining employees. A highly engaged workforce is the sign of a healthy organization, whatever its size, geographical location and economic sector. Today companies have recognized that highly engaged workforce can increase innovation, productivity and bottom line performance resulting in increasing customer satisfaction.

We know certainly that employee engagement and positive business outcomes are positively correlated, but does it really happen in the banking sector as well. In this study an attempt has been made to find out the impact of employee engagement on various business outcomes like customer satisfaction and customer loyalty.

## **Employee engagement**

In the past several years, many authors have written on the topic 'Employee Engagement'. Kahn (1990) was the first to coin the term engagement he described how people can "use varying degrees of their selves – physically, cognitively and emotionally in work role performances".

In 1999, the book 'First, Break all the Rules' (Buckingham & Coffman) helped the term 'Employee engagement' become popular in the corporate world. Let us first understand what exactly is employee engagement. The Gallup organization defines engaged employees as those who work with a passion and feel a profound connection to their company. Alpha Measure defines employee engagement as the level of commitment and involvement an employee has towards his organization and its values. According to Scarlett surveys, "Employee engagement is a measurable degree of an employee's positive or negative emotional attachment to his job, colleagues and organization which profoundly influence his willingness to learn and perform at work."

## **Importance of employee engagement**

It has been found that the best resources to any organization is always its human resources, the attainment of a workplace with committed and highly caliber employees are the key to success and the way to set competitive advantage in the global scenario. A well functioning organization is formed when employees are committed and motivated or can be said that when employees are engaged. Employee engagement has become very much important for the organization as an engaged employee help in improving various business outcomes like :

1. Productivity
2. Customer service and satisfaction

3. Customer loyalty and retention

4. Profitability

### **Customer satisfaction and customer loyalty**

Customer satisfaction plays a vital role in gearing up the banking sectors and their performance. Various studies have been done which relate to the customer satisfaction and customer loyalty. Vigg Silky et al. (2007) stated some of the factors responsible for customer satisfaction. The factors that influence the customer satisfaction are innovative services, behavior, comfort and image. Their study revealed that the public and private sector banks do not differ significantly in providing customer satisfaction.

Apart from the customer satisfaction one more factor which is responsible for improving business performance is customer loyalty. Customer loyalty is critical to the conduct of business in today's competitive marketplace, and banks are no exception. Commercial banks are thus looking for different management strategies as ways to promote customer loyalty. It has been found customer become loyal when there is customer oriented climate and this climate can only be formed if employees are willing to put efforts towards it.

### **Business performance and employee engagement**

Employee engagement is the emotional commitment an employee has towards the organization and its goals, resulting in the use of discretionary effort. Various past studies have shown the link between employee engagement and increase customer satisfaction and customer loyalty.

Giving employees the drive to enhance the customers experience is as integral as the reputations and bottom lines of businesses that rely on the ability to inspire customer loyalty. It has been found that customers are more likely to recommend a

business to others if they have a positive experience which comes mainly from interactions with employees. The attitudes of employees are a product of their engagement, and to a lesser extent, the engagement of those around them. Employees are more customer focused when engaged (Harter, 2009) as they are motivated to increase their discretionary effort to achieve the success of the business, rather than focusing on their personal gains.

In their 2009 meta-analysis Harter et al. found that business units that scored in the top 25% on engagement had customer ratings 12% higher than business units scoring in the bottom 25% of the engagement, this improvement is due to the fact that engaged employees care more about meeting customer needs than their personal needs. There are other ways also in which engagement impacts customer loyalty rather than merely by interaction. It has also been found that the quality of products produced by engaged employees is better, as well as engaged staff are proved to be more productive and they commit less mistakes thereby throwing good impact on customers. Additionally, engaged staff have a positive impact on an organization's reputation in the wider world by being brand ambassadors. Conversely, disengaged employees can become a public relations nightmare.

## **Review of literature**

### **Samuel Obino Mokaya and Maureen Jerotich Kipyegon**

**(2014):** The study aims to assess the determinants of employee engagement in the banking sector of Kenya. The determinants covered were performance management system, personal development and growth opportunities and workplace recreation and remuneration. Results of correlation revealed that there is a strong positive correlation between organizational performance management system, personal development and growth opportunities workplace recreation,

remuneration package. The study has also found out that among all the determinants remuneration shows the highest positive correlation. Further study recommends that banks should give special emphasis to programs and activities that promote employee engagement.

**Deepa Mishra, Sampada Kapse and Dhara Bavad (2013):** Employee engagement is a buzz word in human resource study and the organizations who are successful take pride in implementation of employee engagement strategies. Engaged employees of an organization highly contribute to the performance of the organization and becomes an asset for the organization. Therefore organizations try to find out the ways to enhance employee engagement. This study finds out the factors influencing the employee engagement among the banks in Kutch district of Gujarat. Employees of two public sector banks and two private sector banks of this region were studied. The analysis confirms the relevance of the factors, including proper pay system equal opportunities, honest communication for employee engagement.

**Adnan Rasheed, Sanam Khan and Muhammad Ramzan (2013):** Employee engagement has become a hot topic among business organizations and decision making bodies. The main aim of this study is to check the relationship between the antecedents and consequences of employee engagement in the banking sector of Pakistan. A survey was carried out on 303 employees working in the private and public sector banks in Lahore Pakistan. The results of the correlation indicate that there is a positive relationship among the antecedents and consequences of employee engagement but variables are less correlated with each other.

**Anjali Gummadi and S. Anitha Devi (2013):** The study focused on finding out the effect of determinants of employee

engagement on employee engagement. The study was carried out in different private and public sector banks in the Guntur urban area. Four determinants, supervisory support, training and development, reward and work environment were considered. Correlation and regression tests were applied for analysis. The study provides thought provoking managerial ideas in order to improve the employee engagement among employees focussing on certain factors like supervisory support, training and development and work environment.

**Swatee Sarangi and R. K. Srivastava (2012):** This paper has investigated the role and impact of organizational culture and communication on driving employee engagement. This study undertook the design of descriptive, analytical and predictive research. They consist of a sample of 195 executive level employees of nationalized banks. The findings of the study have practical implications for the banking sector. It has unraveled the dimensions of organizational culture and communication which need to be focused for enhancing vigor, dedication and absorption of employees in the banking sector.

**Hafiz Abdur Rashid, Ammar Asad and Mian Muhammad Ashraf (2011):** The study investigated the factors persuading employee engagement and linkage of employee engagement to personal and organizational performance in banking sector of Pakistan. The data were analyzed through structural equation modeling and independent sample t-tests using AMOS/SPSS software. The study found the following factors that influence engagement decision making / co-ordination, employee performance appraisals, performance reward systems, employee involvement, training and career development, and human resource practices. The results show that there is a significant relationship among employee engagement and decision making /co-ordination, performance reward systems and employee involvement whereas training and career

development and employee performance appraisals are insignificantly related. The study needs to be extended to foreign as well as public sector banks with a larger sample size of employees in the light of other variable such as motivation, non monetary benefit.

**Benjamin Osayawe Ehigie (2006):** The purpose of study is to examine how customer expectations, perceived service quality and satisfaction predict loyalty among bank customers. Result of regression analysis has shown that perception of service quality and satisfaction are significant predictors of customer loyalty, with customer satisfaction contributing the most.

### **Research methodology**

The research design used for the purpose of this study is empirical research design with the following objectives.

#### **Objectives of the study:**

1. To study the difference in employee engagement of private sector and public sector banks.
2. To understand the impact of employee engagement on business performance of public sector and private sector banks.
- 3.

#### **Hypotheses:**

H1: There shall be significant differences in employee engagement of public and private sector banks.

H2: There shall be significant impact of employee engagement on business outcomes of public sector banks.

H3: There shall be significant impact of employee engagement on business outcomes of private sector banks.



### **Sample and sampling technique**

	PUBLIC	PRIVATE
EMPLOYEES	60	60
CUSTOMERS	60	60
TOTAL	120	120

Total sample size of 240 including employees and customers of different public sector banks (PNB and SBI) and private sector banks (Axis and HDFC) of Uttarakhand were randomly selected.

### **Data collection procedure:**

The data has been collected from structured questionnaire designed to measure employee engagement and business performance. Questionnaire for employee engagement consist of 12 items and has been given to employees of different public and private sector banks to measure employee engagement and questionnaire to measure business performance consist of 18 items customer satisfaction (10 items) and customer loyalty (8 items) and has been given to customers of respective banks to measure business performance.

### **Data analysis technique:**

The data have been analyzed using software SPSS (20.0).

### **Reliability of scale:**

In order to check the internal consistency and reliability of the scale Cronbach's alpha test has been used. For the employee engagement questionnaire the value of cronbach's alpha has been found to be 0.809.

**Table 1:**

#### **Reliability Statistics**

Cronbach's Alpha	N of Items
.809	12

For the business outcomes questionnaire which is used to measure customer satisfaction and customer loyalty the value of cronbach's alpha has been found to be 0.886.

**Table 2:**

**Reliability Statistics**

Cronbach's Alpha	N of Items
.886	18

**Results, analysis and discussion:**

**Demographic analysis:**

**For employees**

**Table 3:**

<b>Age</b>	
Under 30	54
31-40	35
41-50	26
51 or older	5
<b>Gender</b>	
Male	68
Female	58
<b>Educational qualification</b>	
Intermediate	11
Undergraduate	8
Graduate	75
Postgraduate	26
<b>Tenure</b>	
Less than 5 years	59
5-10 years	31
10-15 years	18
More than 15 years	12

**For customers**

**Table 4:**

<b>Age</b>	
Under 25	53
25-35	37
36-46	14
47 or older	16
<b>Gender</b>	
Male	67
Female	53
<b>Educational qualification</b>	
Intermediate	31
Undergraduate	8
Graduate	57
Postgraduate	24
<b>No of years as a customer of bank</b>	
Less than 5 years	53
5-10 years	36
10-15 years	20
More than 15 years	11

According to the demographic analysis, it has been found that most of the employees who have filled the questionnaire have fallen under the age of 30 and the majority of them have

completed less than 5 years of working in the bank. It has been found by the item no. 12 of the questionnaire and reveal further that the environment of trust and friendship motivates most of the employee to work in a bank for a longer period of time. Results show that most of the employees of the banks have access to all the materials and equipments required to perform the job.

Among the customers most of those who filled the questionnaire fall under the age of 25 and have been using bank for less than 5 years. Item no. 18 of the questionnaire shows that some of the employees use more than one bank at a time of their convenience. Results show that customers of private sector bank are very much satisfied with the employee's knowledge level and courteous behavior. Item no. 12 of the questionnaire shows that those employees who have been using the bank for more than 5 years wants to continue using the same bank for a longer period of time and even they are ready to pay a little bit more to continue to use the services of bank as indicated by item no. 16 resulting in increasing customer loyalty.

## Descriptive analysis

**Table 5: For public sector**  
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
EEMEAN2	60	1	4	2.35	.573
BPMEAN2	60	1	4	2.41	.502
Valid N (listwise)	60				

**Table 6: For private sector**  
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
EEMEAN1	60	1	4	2.59	.603
BPMEAN1	60	1	5	2.77	.874
Valid N (listwise)	60				

As shown in Table 5 and Table 6, mean for employee engagement is 2.35 in case of a public sector bank and 2.59 in case of private sector bank which means for customers is 2.41 in case of a public sector bank and 2.77 in case of private sector banks which shows that most of the employee shows agreement on the various items of employee engagement resulting in a high level of engagement in private sector banks.

### Test of Normality

In order to test the hypothesis and to apply the necessary test first the test for normality has been conducted, the result of normality test has shown that the data is not normally distributed hence non parametric test has been used for hypothesis testing.

**Table 7:**  
**Tests of Normality**

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
ee	.151	120	.000	.915	120	.000
bp	.184	120	.000	.870	120	.000

a. Lilliefors Significance Correction

Since the p value for both employee engagement and business performance is less than .05 so the data is not normal.

### Testing first hypothesis

In order to test the first hypothesis that is H1: There shall be significant differences in employee engagement of public and private sector banks. Mann-Whitney U test has been applied. The result of test is given below.

**Table 8:**

<b>Total N</b>	120
<b>Mann-Whitney U</b>	1290.500
<b>Wilcoxon W</b>	3120.500
<b>Test statistic</b>	1290.500
<b>Asymptotic Sig (2 sided test)</b>	.007

**Hypothesis Test Summary**

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of ee is the same across categories of bank.	Independent-Samples Mann-Whitney U Test	.007	Reject the null hypothesis.

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

According to the above table it has been found that the p value  $>.05$  therefore null hypotheses is rejected and hence it can be said that there is a significant difference in employee engagement of public and private sector banks. The major reasons that are found to be responsible for the difference in engagement level of private sector and public sector banks are sometimes non availability of materials and equipment to perform the task and lack of environment of trust and friendship among employees which help in engagement.

**Testing second hypothesis**

In order to test the second hypotheses that is H2: There shall be significant impact of employee engagement on business outcomes of a public sector bank. Spearman’s rank –order correlation is applied. The result is given below:

**Table 9:**  
**Symmetric Measures**

	Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Interval by Interval Pearson's R	.771	.089	9.213	.000 <sup>c</sup>
Ordinal by Ordinal Spearman Correlation	.507	.122	4.476	.000 <sup>c</sup>
N of Valid Cases	60			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

According to the above table it has been found that the value of  $r(50) = .507$ . There is 50% positive correlation between

employee engagement and business outcomes which means with increase in employee engagement business outcomes also increase.

### Testing third hypothesis

In order to test the third hypothesis that is H3: There shall be significant impact of employee engagement on business performance of private sector bank. Spearman's rank –order correlation has been applied. The result is given below.

**Table 10:**  
**Symmetric Measures**

	Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Interval by Interval Pearson's R	.765	.078	9.053	.000 <sup>c</sup>
Ordinal by Ordinal Spearman Correlation	.663	.088	6.738	.000 <sup>c</sup>
N of Valid Cases	60			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

The result of third hypothesis shows that there is .663 positive correlation between employee engagement and business outcomes of private sector banks .The above result clearly indicates that the effect of employee engagement on business outcomes is greater in private sector banks than public sector banks as employees are found more engaged in private sector banks.

### Conclusion

The study was carried out in two banking sectors, private and public. Two organizations were selected for both public and private sectors. As the present study aims to compare the level of employee engagement in both private and public sector banks it has been found by the result of Mann- Whitney U test that there lies a significant difference in employee engagement

of both the sectors. One of the major reason that contributes to difference in employee engagement of both sectors is sometimes non - availability of materials to perform the task and lack of environment of trust and friendship in public sector banks. The result of study shows that there is a positive 50% correlation between employee engagement and business outcomes of public sector bank and positive 66 % correlation between employee engagement and business outcomes of private sector banks which means if employees are engaged in the organization and they work with full commitment than it results in increasing business outcomes or it can be said that engaged employees always give engaged and satisfied customers. Very few studies have been conducted in India in the area of employee engagement. The study shows that most of the employees have been working for less than 5 years and fall under the age of 30. Item no. 11 of the questionnaire shows that most of the employees of public banks feel a sense of loyalty and wants to continue working there for longer period of time. The study finds out the various factors that lead to employee engagement in banks some of them are availability of materials and equipments to complete the task, proper reward system and availability of various family health and safety benefits, provision of regular feedback to the employees and other benefits like holiday home, foreign and organizational trips which motivate employees to work with full commitment and to be engaged in the organization for the longer period of time.

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