



# Impact of Employee Motivation and Employee Engagement Programs on Profitability and Growth of Public Sector Banks

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**Abstract--** In this study, the impact of employee motivation and engagement programs on the profitability and growth of Public Sector Banks (PSBs) in India has been explored. In the context of a competitive and dynamically changing banking environment, human capital has emerged as an important factor in the determination of profitability and growth. The study has explored the impact of employee engagement factors such as organizational culture, empowerment, teamwork, and reward systems on employee productivity and profitability.

Using the data from the Public Sector Banks, including the State Bank of India, Bank of Baroda, and Punjab National Bank, the study has provided evidence of the existence of a significant positive relationship between employee performance and profitability. However, structural limitations in terms of employee empowerment and the presence of a rigid hierarchical structure may act as limitations in the achievement of the potential benefits from employee engagement programs.

In conclusion, the study has provided evidence to suggest that employee engagement programs are an important strategic financial determinant rather than an HR-related activity. The potential to increase profitability and growth in Public Sector Banks may be achieved by enhancing employee empowerment, performance-based reward systems, and training programs.

**Keywords--**Employee Motivation; Employee Engagement; Public Sector Banks; Profitability; Organizational Culture; Productivity; Financial Performance; Banking Sector Growth.

## I. INTRODUCTION

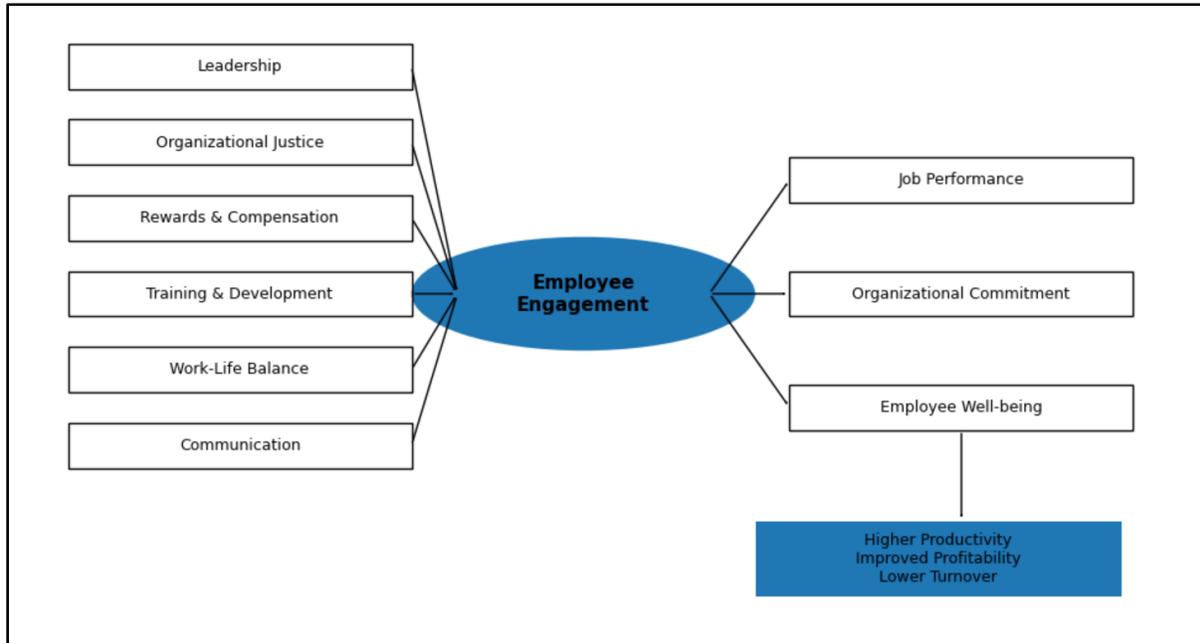
Banking is one of the major catalysts for economic development. In the Indian context, Public Sector Banks (PSBs) have played a pivotal role in achieving financial inclusion, focusing on lending to key sectors, and contributing to the overall economy.

However, in recent years, PSBs have been facing ever-increasing problems due to high competition from private sector banks, rapid digitalization in banking services, and organizational restructuring through mergers. In this ever-changing environment, internal efficiency in PSBs is as important as financial and technological reforms.

Employee motivation and employee engagement have become two important factors in organizational success in contemporary business environments; in this regard, service-oriented organizations like banks have become more important than ever. In comparison with manufacturing organizations, banks are more dependent on employee-customer relationships; therefore, employees' attitude and behavior are important factors in determining service quality and customer satisfaction.

In India, Public Sector Banks like Bank of Baroda (BOB), State Bank of India (SBI), Punjab National Bank (PNB), etc., have huge heterogeneous workforces across different locations in urban and rural India. PSBs enjoy high organizational culture; job security; and teamwork; however, they often experience problems like rigid organizational hierarchy, lack of empowerment, and recognition systems in organizations. These factors often affect employees' motivation in PSBs.

In this regard, the study tries to examine the effect of employee motivation & employee engagement programs on the profitability and growth of Public Sector Banks in India. This study attempts to highlight the importance of employee engagement in PSBs for boosting productivity and overall financial performance.



**Figure 1: Conceptual Framework of Employee Engagement in Public Sector Banks**

## II. LITERATURE REVIEW

### 2.1 Employee Motivation and Engagement

Employee engagement refers to a combination of emotional, cognitive, and behavioral states that employees experience in their work roles. Kahn (1990) described employee engagement as a psychological state of being fully engaged in work. Employees who are motivated are more likely to exhibit behaviors that are engaged, committed, and willing to contribute beyond their job description. According to Social Exchange Theory, organizations that provide support and prospects for growth and development are likely to receive a corresponding increase in commitment and performance from employees. The Job Demands-Resource model suggests that job resources like autonomy and training increase employee engagement in work environments that are high in job demands, like banking.

### 2.2 Employee Engagement and Organizational Performance

The empirical study shows that organizations with higher levels of employee engagement perform better compared to those with lower levels of engagement. Employees with higher engagement levels have higher levels of productivity and service quality, which are critical for improving the profitability of organizations. Additionally, employees with high engagement levels have lower levels of absenteeism and turnover.

In the banking industry, where customer relationships are core, employee engagement is critical for improving customer satisfaction and loyalty, thus contributing to the generation of revenues for organizations.

### 2.3 Employee Engagement in Public Sector Banks

In the Indian scenario, Public Sector Banks (PSBs) have been found to have a strong organizational culture and high levels of teamwork. The findings show that factors influencing employee engagement, such as recognition, communication, training, and leadership, are critical for improving employee productivity. Analysis of the State Bank of India, Bank of Baroda, and Punjab National Bank shows that there is a significant relationship between employee performance and profitability. However, inflexibility in organizational structures, lack of empowerment, and merger-related problems negatively influence the overall outcome of employee engagement.

### 2.4 Public vs. Private Sector Banking Perspective

Comparative analysis of the banking industry shows that private sector banks have higher levels of empowerment, while PSBs have higher levels of organizational stability. However, in terms of employee engagement, there are no significant differences. The key difference is in the influence of employee engagement on financial performance, where private sector banks have higher levels of flexibility in human resource management.



### *2.5 Research Gap*

Although the literature indicates the significance of employee engagement for overall performance, there is a significant gap in the research area, which is the absence of integration of motivation programs, employee engagement, and overall profitability and growth parameters in the context of Public Sector Banks.

## III. RESEARCH METHODOLOGY

### *3.1 Research Design*

The proposed study will employ a descriptive and analytical research design. The descriptive part of the study will focus on employee motivation and engagement practices in Public Sector Banks (PSBs). The analytical part of the study will explore the relationship between employee engagement factors and financial performance indicators, such as profitability and growth. The proposed study is empirical in nature, and the data will be collected from secondary sources.

### *3.2 Nature and Scope of the Study*

The proposed study will be limited to the Public Sector Banks in the country, namely the State Bank of India, Bank of Baroda, and Punjab National Bank. These banks have been chosen as the settings for the proposed study because of their widespread presence, large number of employees, and published data on employee engagement and financial performance indicators.

The scope of the proposed study will include:

- Employee motivation and engagement factors
- Financial performance indicators, such as profitability and growth
- Both urban and rural banking environments

### *3.3 Sources of Data*

Secondary data will be used in the study, and the sources will be:

- Published research articles and academic journals
- Annual reports and human resources reports of selected PSBs
- Reports from regulatory authorities and banking journals
- Previous studies on employee engagement and productivity

### *3.4 Sampling Technique*

Purposive sampling is used to select a few banks and studies based on their relevance to employee engagement and availability of financial performance data.

### *3.5 Variables of the Study*

*Independent Variables:*

- Employee Motivation
- Employee Engagement Factors (Organizational Culture, Empowerment, Teamwork, Training, Recognition)

*Dependent Variables:*

- Profitability
- Organizational Growth
- Productivity

Other factors such as organizational size, mergers and acquisitions, and regulatory environment are also kept in mind while interpreting results.

### *3.6 Tools and Techniques Used*

Tools and techniques used for the analysis are as follows:

- Descriptive analysis in order to show levels of employee engagement and performance
- Comparative analysis to show differences between banks
- Interpretation of statistical analysis from existing literature
- Content analysis

### *3.7 Drawbacks of the Study*

- This study is based on secondary data, which limits the analysis of employee perceptions in real-time.
- Differences in scales may hinder the comparability of the results.
- Economic factors are also out of the control of employee engagement.

## IV. RESULTS AND ANALYSIS

### *4.1 Overall Engagement Levels in Public Sector Banks*

An analysis of secondary data indicates that overall employee engagement in Public Sector Banks (PSBs) is moderate to high, especially in terms of organizational culture and teamwork. Studies have reported high mean values for employee engagement in terms of culture and work environment. On the contrary, overall employee engagement in terms of empowerment and independence is relatively low. This indicates that employees in PSBs are highly identified with organizational culture; however, they may be restricted in terms of independence in taking decisions.

**Table 1:**  
**Engagement Drivers and Their Impact Level**

Engagement Driver	Impact (%)	Impact Level
Leadership	22	High
Organizational Justice	18	Moderate
Rewards & Compensation	20	High
Training & Development	25	Very High
Work-Life Balance	15	Moderate
Communication	17	Moderate

#### 4.2 Impact of Engagement on Profitability

**Table 2:**  
**Engagement Impact on Profitability in Public Sector Banks**

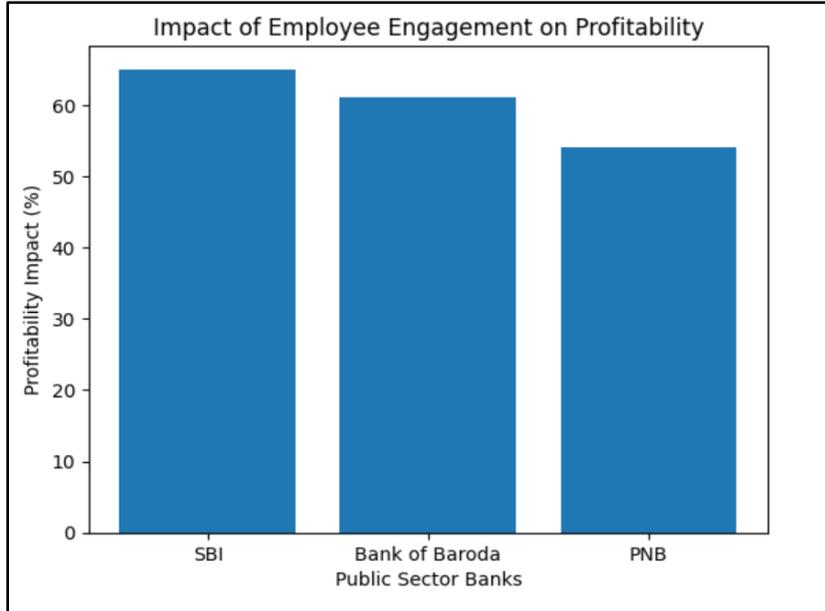
Public Sector Bank	Employee Engagement Level	Profitability Impact (%)
State Bank of India	High	65
Bank of Baroda	High	61
Punjab National Bank	Moderate	54

The findings show that there is a strong positive relationship between employee engagement and profitability. Employee performance, including motivation, training, and recognition, is identified as a major determinant of profitability for public sector banks (PSBs). Some examples are:

- Bank of Baroda (BOB): Employee performance is a major determinant of profitability, explaining 61% of the variation in profitability for Bank of Baroda.
- Punjab National Bank (PNB): Employee-related factors are a major determinant of profitability,

explaining 54% of the variation in profitability for Punjab National Bank.

- State Bank of India (SBI): SBI has improved productivity and employee morale through activities that impact organizational climate.



**Figure 2: Engagement vs Profitability**

**4.3 Engagement Drivers and Productivity**

Employee engagement drivers in PSBs are:

- Organizational Culture
- Training and Skill Development
- Recognition and Rewards
- Communication and Leadership Support

Employee training and skill development are key factors that determine productivity in PSBs. Banks that provide training and skill development programs exhibit high productivity.



**Figure 3: Key Drivers of Employee Engagement**



**4.4 Rural Banking and Growth Implications**

In rural branch offices, employee engagement is largely driven by factors such as teamwork, communication, and close supervision. High stages of engagement are associated with enhanced customer relationships and services, which are essential for rural banking and the growth of Public Sector Banks.

**4.5 Identified Performance Weaknesses**

Despite the positive results, some weaknesses were also identified, which are as follows:

- Limited empowerment and decision-making process

- No performance-based rewards
- Deficiency in communication during organizational changes
- Uncertainty of roles in merged organizations

**Overall Interpretation**

The overall analysis reveals that the impact of employee motivation and engagement activities on the profitability and growth of Public Sector Banks is substantial and positive. However, certain issues need to be addressed in order to make the most out of the financial gains from employee engagement activities.

**Table 3:  
Productivity Before and After Employee Engagement Initiatives**

Public Sector Bank	Productivity Index (Before)	Productivity Index (After)	Improvement (%)
State Bank of India	58	70	12
Bank of Baroda	55	68	13
Punjab National Bank	50	63	13

**V. RECOMMENDATIONS**

Based on the findings in this study, the supporting recommendations are offered for enhanced motivation and performance in terms of financial outcomes for employees in Public Sector Banks (PSBs):

**5.1 Enhancement of Employee Empowerment**

Public Sector Banks must decentralize authority and define job authority for enhanced accountability. Employees must be encouraged to take ownership for customer servicing and revenue-generating activities.

**5.2 Augmentation of Performance-Linked Rewards**

In addition to existing systems based on seniority, PSBs must adopt transparent systems for performance-linked rewards and recognition. This would significantly enhance motivation and performance among employees.

**5.3 Ongoing Training and Skill Development**

There must be enhanced training in areas like digital banking, customer relationship management, and compliance. Bank of Baroda is one example where training has a significant impact on profitability.

**5.4 Enhancement of Communication and Change Management**

Managers ought to facilitate transparent two-way communication, especially in situations of organizational change like mergers and policy shifts. These strategies help in minimizing uncertainty while maximizing trust.

**5.5 Leadership Development**

Managers/supervisors need to be trained in participative leadership styles and emotional intelligence. Leadership is crucial in maintaining high engagement among employees.

**5.6 Utilization of HR Analytics**

The PSBs can utilize HR analytics tools to track engagement rates, forecast turnover rates, and track productivity gaps. This can enable HR decisions that align with profitability objectives.

**VI. CONCLUSION**

This research proves the hypothesis that the initiatives related to employee motivation and employee engagement have a significant and positive effect on the profitability of Public Sector Banks (PSBs) in India. In the service-driven banking sector, employee engagement directly influences increased productivity, service delivery, and efficiency.



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The results show that the positive effect of engagement factors such as organizational culture, teamwork, training, and recognition has a positive effect on employees' performance in PSBs, including the State Bank of India, Bank of Baroda, and Punjab National Bank. However, the structural limitations of employee empowerment, organizational structures, and mergers limit the potential of employee engagement initiatives in PSBs.

The study highlights the fact that the concept of employee engagement must be viewed from a broader framework of leveraging the profitability of the PSBs. The study reveals the potential of leveraging the employees' performance in PSBs through the high levels of employees' empowerment, performance-based reward systems, top management support, and evidence-based HR practices.

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