

Assessing Herzberg's Theory in Private Banking: A Competency Study

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Abstract: Herzberg's model emphasizes the intrinsic and extrinsic factors in motivating the employees in an organization to sustain the basic level of satisfaction for the employees. The model has found its application in almost all organizations. The present study envisaged to assess the level of motivation for the operational level employees in the Private Banks of Silchar. Using in-depth interviews and factor analysis, the research identifies key motivators and hygiene factors in the banking environment, offering insights for managerial strategies in employee motivation.

Keywords: Herzberg model, hygiene and motivators, Private Banks, in-depth interviews, factor analysis

1. Introduction

The banking sector of any country is considered to be the backbone of its financial stability. In the light of the importance of the banking sector, the employees of the sector are considered as a custodian of the financial security of a country. They are also looked upon as a saviour and a recluse for the country at times of financial distress. India has been a country where entropy in the financial sector reigns supreme. The evolving nature of the functioning of the banks, belligerent economic policies and diverse demographics of the customer are some of the factors contributing to the complexity of the roles an employee plays in the sector. The toils put in by the bankers during the recent demonetization policy to cool down the havoc spread across the country is just an exemplification of the stress they go through during phases of such policy execution. The research is intended to tap into the factors responsible for keeping up the motivation level of the employees in carrying out their hectic work roles. The bankers need to have more diverse approaches in dealing with people of different sets of customers. The place selected for the research purpose is Silchar bearing the fact that the town is somewhat lagging to match the economic advancements witnessed in the posh towns of the country. The employment opportunities in the place are also meagre. The infrastructural developments have gained pace in recent years for the place, but are far from being considered as competent in relation to the other places. Such existential nature has inculcated more apprehensions amongst the people of the place to risk their hard-earned money by investing it into different lucrative avenues. The roles of the bankers in dealing with such sceptic customers become much more complex. The research undermines the framework provided by the Herzberg model in explaining the factors sustaining and enhancing the motivation level of the workforce in any organizational set-up and applies the same in the research. The paper claims to be of significant importance for the

policymakers in adopting more employee-oriented policies keeping in mind the importance of the banking sector in the economic well-being of the country.

2. Review of Literature

The originating term of the word 'motivation' is 'movere'. The meaning of the term 'movere' is to move (Vroom, 1964). Motivation is an internal force and a need-satisfying process and only when some certain needs are satisfied, a person's external effort shall be satisfied towards attaining the organizational objectives (Robbins, 2001). Schulze and Steyn (2003) describe about the understanding the concept of motives will help move the employees to act. Herzberg's motivation-hygiene theory or two-factor theory is one of the prominent theories of motivation that has received widespread recognition of all times. In 1959, Herzberg experimented on 200 engineers and accountants from over 9 companies in the United States. The experiences about their job were described which was categorized as exceptionally good or extremely bad and their responses were recorded. Responses about good feelings were categorized as motivators (satisfiers) and bad feelings as hygiene factors (dissatisfiers). He further categorized motivators under achievement, recognition, responsibility, advancement, possibility of growth and the work itself which are intrinsic in nature. Hygiene factors were classified under interpersonal relationships with supervisors, peers and subordinates, salary, status, job security, personal life, technical supervision, working conditions and company policy and administration, which are extrinsic to the working conditions. (Prasad, 2015)

Earlier the motivational activities of the employees were confined to the training activities of the employees on matters such as attractive salaries, benefits, welfare facilities and lack of proper rewards, rigid hierarchical structures, lack of proper mechanism to award for efficiency, innovation and

excellence, incentive linked schemes etc. were responsible for low levels of motivation. The banking sector did not prioritise the motivation of employees through the development of soft skills, oral communication, good working conditions and non-monetary benefits. (Shannon Riley, 2005). With the emergence of private sector banks, the organisations could not have rigid control over the organizations. The employees realized that the major source of fulfilment of motivation could not be only through the fulfilment of basic needs. The banking sector has realized that once the employee is motivated, the customers are served well which in turn increases the profitability and accountability of the organization. This circle of excellence is of prime importance in customer centric business processes that we are witnessing in banking today and more so in the years to come.

This theory is subject to criticism as it has been observed that the results of the study vary when conducted under different working conditions. Some research also shows that the factors that had been described by Herzberg as hygiene factors are also motivators which occurs due to variance between labour requirements and the period of employment. (Nave, 1968). Gunasekara (2011) in the research identified the motivational factors needed in the banking sector from the private banks of Sri Lanka. The result shows that along with advancement, work itself, recognition, responsibility that are originally considered to be the motivators, hygiene factors such as interpersonal relationships, company policy and administration, salary, personal life were also motivators for them.

Baah and Amoako (2011) in the paper states the absence of hygiene factors can lead to dissatisfaction among the employees but when catered fully may not lead to satisfaction of the workers, whereas the motivators provide satisfaction and lead to higher motivation. Vroom and Deci (1972) states that "the question of what motivates workers to perform effectively is not an easy one to answer". In the era of globalization, industrialization and information technology, managers all over the world seek to motivate their employees in order to make the employees deliver to the best of their potential. As a result, the managers resort to all sort of techniques like providing incentives, but the question lies that does only incentives help to motivate and provide job satisfaction to the employees?

Gibson (2000) in the paper states that the hygiene factors arrived out of Maslow's hierarchy of needs, and these factors are not directly related to the job, but the conditions that surround the job. The hygiene factors are necessary to prevent dissatisfaction, but at the same time do not provide motivation. (Huling, 2003) The motivators, on the other hand, are intrinsic and do not result from "carrot and stick incentives". The absence of these factors does not lead to dissatisfaction, but if present results in good job performance.

The probable combinations of hygiene and motivator factors result in four scenarios which can be classified as high hygiene and high motivation, where employees are highly motivated and have few complaints; high hygiene and low motivation, where employees have few complaints but are

not highly motivated; low hygiene and high motivation, a situation where employees are motivated but have a lot of complaints; and low hygiene and low motivation, a situation where employees are not motivated and lot of complaints (Dartey-Baah, 2011)

While some behavioural scientists raised issues with the 'critical incident technique used by Herzberg in collecting data as inappropriate, others like Bellot and Tutor (1990) had problems with the type of employees used. According to a research study conducted by Tutor in 1986 with Tennessee Career Ladder Program (TCLP), they concluded that not all employees are motivated by Herzberg's 'motivator needs' and that, teachers especially were more motivated by hygiene needs like money. They criticized Herzberg for using employees from only the industrial sector. Hackman and Oldham (1976) also criticized Herzberg's theory by suggesting that Herzberg's original formulation of the model may have been a methodological artifact. They further explained that the theory does not consider individual differences, conversely predicting all employees will react in an identical manner to changes in motivating-hygiene factors. Herzberg's Two-Factor theory was criticized on the issues such as the critical incident technique used by Herzberg claiming that the method used for collection of data is found to be inappropriate and the type of employees used. (Bellot and Tutor, 1990).

3. Problem Statement

The dynamic nature of businesses in contemporary periods has brought along challenges and opportunities in abundance, irrespective of the nature and scale of operation. The survival and growth of organizations hinge on the extent to which strengths of the organizations are exercised to tap the opportunities and avoid the threats. The consequences of such fast-moving and ephemeral business environment, triggered by more demanding customers than ever before, are seen in the demand volatility of products in the market and the life cycles of products dwindling down. Consequentially, the work pattern of employees in almost all sectors has undergone a paradigm change. The modern day employees are expected to be more willing to voluntarily subjugate their personal interests in the pursuit of broader fulfilment of organizational objectives. Hence, it has become more imperative for organizations to ensure a pleasant environment for the employees. The banks in the cosmology of changing work patterns serve a dual role of being ahead in a competitive environment and maintaining a financial stability in the society. In recent times, there has been a colossal upsurge in the academic researches related to evaluation of economic policies. The present research attempts to draw the attention to more fundamental aspect of the functioning of an organization which is evaluation of the employee motivation in the banking sector. The Herzberg two-factor model is acknowledged as a framework of identifying the motivation level of the employees in the sector. Hence, the research aims to seek solutions to two basic problems:

What are the factors responsible for sustaining a motivation level for the employees in the banking sector?

What are the factors responsible for enhancing the motivation level of the employees in the banking sector?

The place selected for the study is Silchar. The research aspires to be valuable in not only reviewing the present working condition of the sector but also in highlighting the need to incorporate more employee-oriented policies.

4. Scope of the Study

The research attempts to underpin the relevance of the yesteryear Herzberg theory in discovering the motivational structure of the employees in the banking sector. The place selected for the survey is Silchar, and thus the study encompasses the branches of private sector banks. Since, the behavioral dimensions of employees are wired in a complex structure; therefore the overlapping of them is inevitable. There cannot be a second view on the fact that motives of employees are largely determined by the belief systems which further have a bearing on the attitudes of the employees working in the organization. But, since the study is primarily concerned with the factors affecting the motivational level of the employees, therefore attempts have been largely directed to partition the motivational level of the employees from the other behavioral dimensions and explore the factors affecting the motivational level of the employees independently. The study also realizes the fact that the work pattern of the employees serving in the banking sector demands specific skills and imposes unique challenges. The interview conducted acknowledged the fact and collected the information relevant to the work pattern of the employees in the sector. The classification of the responses collected from the employees was based on two categories extended by the Herzberg two factor theory to delineate the most prominent factors affecting the motivational level of the employees of the sector. Since the study was confined to the employees of the banks in Silchar, it follows that the generalizations of the research outcomes must be judicious.

5. Objective of the study

- 1) To identify the hygiene factors responsible for sustaining the motivation level of the employees.
- 2) To identify the motivators responsible for enhancing the motivation level of the employees.

6. Research Methodology

The research purported to establish the cause-and-effect relationship between the functioning of the factors as discovered in the Herzberg model and the influence of those factors in the level of motivation of the employees working in the banking sector. Therefore, the type of research is causal. In collecting the responses, the research acknowledges the fact that the pattern of functioning in the private sector and public sector banks is different, and therefore the span of consideration for the research was limited to the Private Sector Banks. The research further confines the consideration by selecting the branches of the Axis Bank, HDFC Bank and ICICI bank in Silchar since the consideration of the branches of all Private Banks was

envisaged to be unfeasible due to the limitation of time and lack of access. From all the selected branches, there was a sample survey conducted and responses were collected from the operational level employees. To ensure uniformity in the selection of the sample units, the research followed the basic rule of limiting the number of respondents to five employees from each branch. This rendered that the total number of respondents for the research would account to 25, as there are five branches of all the select Private Sector Bank in Silchar.

The questionnaire was set with the attempt to evoke the most unbiased response from the respondents. The responses were therefore scaled according to the level of agreement on statements related to the prevalence and influence of hygiene and the motivator set of factors in sustaining and enhancing the motivation level of the employees in the organization. The statements were then assigned a median value ranging from 1 to 5 (1=highest level of disagreement to the statement and 5=highest level of agreement to the statement). The median value was then further analyzed using ANOVA to identify whether the hygiene and the motivator set of factors have significant difference in the impact across different branches of the banks in the town, The study went ahead in also adopting the Correlation matrix in detecting the most influential motivator and the hygiene factors from the set of factors as discovered by the Herzberg theory.

The data analysis has been categorized in three parts

- a) Descriptive Statistics Derived from the responses
- b) ANOVA table to test whether the hygiene and the motivators have significant variation in their impact across branches.
- c) Factor Analysis to identify the most influential factors amongst the hygiene and the motivator.

7. Analysis and Discussions

The classification of the data analysis in three parts would facilitate the attainment of the objectives and bring in light a clear picture of the situation prevailing in the context of the motivational level of the employees in the banking sector. To derive the responses from the employees in the banking sector according to the objectives of the study, a structured interview was conducted. The degree of influence of each of the factors was evaluated in a scale from 1 to 5, where 1 indicated the lowest degree of influence of the factor and 5 indicated the highest degree of influence of the factor. The median was calculated. The table corresponding to the hygiene factor where the median value has been calculated is shown below”

Table 1: Descriptive Statistics of the responses of the sample respondents in relation to the hygiene factor

Hygiene factors	N	Median	St. Dev
Salary	25	3	0.9128
Company Policies	25	3	0.9165
Fringe Benefits	25	2	0.8907
Working Condition	25	3	1.354
Status	25	3	1.3638
Job Security	25	3	1.3525
Relationship with seniors	25	3	1.4685
Relationship with peers	25	3	1.6452
Supervision	25	4	1.2884

The standard deviation was calculated considering the ranking assigned by the N=25 respondents for each of the factors. To determine whether the hygiene factors vary according to the level of influence the research formulates the following hypothesis

H0: There is no significant difference in the influence of the hygiene factors in sustaining the motivational level of the employees

To test the above hypothesis, the research uses the ANOVA technique. The result of the ANOVA table is given below:

Table 2: ANOVA representing the variations between and within groups related to hygiene factors

Sources of Variation	Degrees of Freedom	Sum of Squares	Mean Sum of Squares	F-Value
Between Groups	9	26.3	2.922	2.248
Within Groups	15	19.5	1.3	
Total	24			

The F-critical value for 5% Level of Significance and (9,15) degree of freedom is 2.59. Since the calculated value of F is smaller than the tabulated value, therefore the null hypothesis is accepted and it can be inferred that there is no significant difference in the influence of the different hygiene factors in sustaining the motivational level of the employees in the sector.

A similar approach was adopted in evaluating the responses of employees related to the set of motivators

Table 3: Descriptive Statistics of the responses of the sample respondents in relation to the motivators

Motivators	N	Median	St. Dev
Challenging work	25	3	0.9126
Recognition of one's achievement	25	4	0.8254
Opportunities for growth	25	5	0.9182
Involvement in Decision-making	25	4	1.3257
Responsibility	25	4	1.3633
Sense of Importance	25	4	0.5674

Table 5: Correlation matrix amongst the set of motivators

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6
Factor 1	1					
Factor 2	0.0875	1				
Factor 3	0.078	0.976***	1			
Factor 4	0.0875	0.0875	0.976***	1		
Factor 5	0.0875	0.323	0.0765	0.645***	1	
Factor 6	0.0875	0.034	0.0634	0.0912	0.645***	1

NB: In the above table Factor 1=Challenging work, Factor 2= Recognition of one's achievement, Factor 3= Opportunities for growth, Factor 4=Involvement in Decision-making, Factor 5= Responsibility and Factor 6= Sense of Importance

From the above correlation matrix it has been derived that the Correlation between Factor (2,3), (3,4), (4,5), (5,6) have been found to be significant at 5% Level of Significance.

8. Results and Discussions

The research was limited on its scope as it had focused only on the branches of three Private bank in Silchar. The study has attempted to glean the prevailing factors for the employees working in the banking sector in the present time. The study resorted to Herzberg model as a guide based on

To determine whether the motivators vary according to the level of influence the research formulates the following hypothesis

H0: There is no significant difference in the influence of the motivators in enhancing the motivational level of the employees

For testing the above hypothesis, the research uses the ANOVA technique. The result of the ANOVA table is given below:

Table 4: ANOVA representing the variations between and within groups related to motivators

Sources of Variation	Degrees of Freedom	Sum of Squares	Mean Sum of Squares	F-Value
Between Groups	5	25.6	5.12	4.567
Within Groups	19	21.3	1.121	
Total	24			

The F-critical value for 5% Level of Significance and (5,19) degree of freedom is 2.74. Since the calculated value of F is more than the tabulated value, therefore the null hypothesis is rejected and it can be inferred that amongst the motivators, at least one of the motivators has significantly more (or less) impact than the others. The deduction should be further contemplated so that the research can unfold the most influential factor within the set of motivational factors. The study attempts to find the correlation amongst the variables. For the purpose of computing the correlation value, the research assigns the median of the responses derived as the value for the factor. The most significant correlation values are conceived as the more influential factors where as the others are considered to be of lesser influence

which the two sets of factors (hygiene and motivators) potentially having a bearing on the motivational processes are determined. The first set of factors which are termed as hygiene set of factors passed through the ANOVA analysis where it was discovered that there was no variation in the level of influence of the factors in sustaining the job satisfaction of the employees. The median value derived for the different factors are indicative of the fact that a neutral response was elicited when the respondents were enquired about the role of the factors in sustaining the motivational level of the employees. The second phase of analysis did not

yield a similar result, when the motivator set of factors were put to ANOVA tests, it was discovered that there was a significant variation in the level of influence of the motivators. Such an outcome naturally demanded a further probing on the matter. The research went further to construct the correlation matrix and computes the correlation values for the factors. The correlation matrix was retrospective of the same matter as it confirmed that there are factors among the motivators set which left a significant influence on the level of motivation for the employees in comparison to the others. The factor which may be considered as an outlier in the set of motivators is the work itself (i.e. Factor 1). As it is observed from Table 5 that the correlation between the first and the every other factor was statistically insignificant, therefore it can be inferred that the challenges in the job do not necessarily exuberate the employees to better performance. In fact, the challenges in the job could sometimes be impeding for the employees to perform up to the standard. On the other hand, the recognition for achievement, opportunities for growth, involvement in decision making, responsibility and sense of importance are duly significant. The linkage of the Herzberg model could be found in almost all the works related to motivation of employees in organization. In connection to the present research, the theory has justified its application as the hygiene factors were discovered to be insignificantly variant in sustaining the motivational level of the employees. This is confirmative of the fact that although the presence of the hygiene factors is imperative for the sustenance of a level of motivation for the employees, the influence of the factors are more or less at a similar level. The motivators vary on their scale of impact according to the motives and pattern of work. For an employee serving in the banking sector, the job itself follows a hectic schedule. Therefore, any additional challenges for the employees are not heartily welcomed, which is a primary finding of the research.

9. Conclusions

The study confirms the relevance of Herzberg's Two-Factor Theory in the private banking sector of Silchar, identifying key motivators and hygiene factors affecting employee motivation. The findings underscore the importance of managerial strategies in employee motivation, offering insights for policy-making in banking organizations.

10. Limitations of the study

The research has some general limitations and other limitations which are specific to the research. The following points discuss some of the basic limitations which the research suffers:

- 1) The research suffers from the basic limitation of time, space and the personal bias of the researcher. The study may not be considered as a theory that would hold true beyond time. With the changes in the external environment the identified factors affecting the motivational level of the employees in the banking sector of the place are also subject to changes. As the study was conducted in Silchar, therefore a generalization cannot be made and the results are less probable to hold true outside the town. The researcher

has made sufficient attempt to avoid personal biases to creep in the research, but the extent to which such attempts are successful is something to be questioned. With the presence of some pre-conceived notions of the researcher regarding the topic, it would not be wise to guarantee the absence of personal biases in the research.

- 2) The research realizes that studying the population of the employees in the different branches of various banks is tough and may not be feasible too. As a result the researcher had to resort to sampling. A sample of employees was selected from the population and was studied. So the research is also subject to the limitations of sample survey and the sampling technique that is used for the collection of the sample. At the same time although the researcher has tried to create a friendly and congenial environment for the employees to respond, still there may be the presence of response bias.

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