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A COMPARATIVE STUDY OF EMOLUMENTS IN PUBLIC AND PRIVATE SECTOR BANKS: AN HRM PERSPECTIVE

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ABSTRACT

Human Resource Management (HRM) practices play a crucial role in attracting, motivating, and retaining employees in the banking sector. Among these practices, compensation and emoluments serve as key determinants of job satisfaction and organizational commitment. This study aims to conduct a comparative analysis of the emolument structures offered by public and private sector banks in India. It explores the differences in basic pay, allowances, performance-based incentives, and fringe benefits provided by both sectors. The research also investigates employee perceptions regarding the fairness, adequacy, and impact of these emoluments on their job satisfaction and retention. Using primary data collected through structured questionnaires and supported by secondary data from bank HR policy documents and reports, the study employs statistical tools such as t-tests and ANOVA to analyze the differences. For this study, a total sample size of 100 bank employees was selected using stratified random sampling to ensure fair representation from both public and private sector banks. Stratified random sampling was used to ensure proportional representation from each bank type and employee level at Mannargudi.

Keywords: Human Resource Management (HRM), Emoluments, Compensation Structure, Public Sector Banks, Private Sector Banks, Employee Motivation, Job Satisfaction.

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INTRODUCTION

The banking sector in India has witnessed significant transformations over the past few decades, with increased competition, digital innovation, and evolving customer expectations (Banker *et al.*, 2019). Amidst this dynamic environment, Human Resource Management (HRM) has emerged as a critical function to ensure workforce efficiency and stability (Armstrong, 2020). One of the most sensitive and impactful components of HRM is

the design and administration of emoluments, which include not only basic salaries but also allowances, bonuses, incentives, and retirement benefits (Armstrong, 2020; Dessler, 2019). Public and private sector banks differ considerably in their HR practices, particularly in compensation structures (Kaur and Kaur, 2022). While public sector banks are governed by uniform pay scales and benefits under regulatory frameworks, private sector banks often adopt more flexible and performance-

driven compensation models. These differences can significantly influence employee behavior, satisfaction, and retention (Malik and Usman, 2017). Given the increasing competition for skilled talent in the banking industry, understanding these emolument practices from an HRM perspective is crucial (Indian Banks' Association, 2023). This study seeks to compare the emoluments offered by public and private sector banks in India and assess their effectiveness in motivating and retaining employees (PwC India, 2023). By identifying gaps and strengths in each model, the research aims to offer valuable recommendations for enhancing compensation practices across the sector (Ministry of Finance, Government of India, 2023).

Banking Sector in India: An Overview

The banking sector in India plays a pivotal role in the country's economic development by mobilizing savings, providing credit, and facilitating financial transactions. It comprises a diverse network of institutions including public sector banks, private sector banks, foreign banks, regional rural banks (RRBs), cooperative banks, and specialized financial institutions.

Structure and Types of Banks

Public Sector Banks (PSBs):

These are majority government-owned banks, historically the backbone of India's banking system. Examples include State Bank of India (SBI), Punjab National Bank (PNB), and Bank of Baroda. PSBs account for about 70% of the total banking assets and are key players in financial inclusion and priority sector lending.

Private Sector Banks: These banks operate on commercial principles with significant private ownership. They tend to be more agile, technology-driven, and customer-centric. Prominent private banks include HDFC Bank, ICICI Bank, and Axis Bank.

Foreign Banks: These banks operate branches in India, bringing international banking expertise and serving multinational corporations and high-net-worth individuals.

Regional Rural Banks and Cooperative Banks: They focus on rural credit, agricultural financing, and promoting inclusive growth in semi-urban and rural areas.

Regulatory Framework (Armstrong, 2020; Reserve Bank of India (RBI) Publications)

The sector is regulated by the Reserve Bank of India (RBI), which ensures financial stability, regulates monetary policy, issues banking licenses, and supervises banks for

compliance with statutory norms. The Deposit Insurance and Credit Guarantee Corporation (DICGC) protects depositors by insuring deposits up to a certain limit.

Recent Trends and Developments

Digital Transformation: The banking sector in India has witnessed rapid digitization with the advent of mobile banking, Unified Payments Interface (UPI), and fintech partnerships, enhancing convenience and financial inclusion.

Consolidation: To strengthen balance sheets and improve efficiency, the government has merged several PSBs in recent years.

Focus on Financial Inclusion: Initiatives like Jan Dhan Yojana have significantly expanded banking access to the unbanked population.

Challenges: The sector faces issues such as Non-Performing Assets (NPAs), cybersecurity threats, and competition from emerging fintech firms.

Economic Importance

Indian banks are critical in channeling resources to industries, infrastructure, agriculture, and MSMEs (Micro, Small, and Medium Enterprises), thus driving economic growth and employment.

Objectives of the Study:

- To examine the structure and components of emoluments (basic salary, allowances, incentives, and benefits) provided by public and private sector banks.
- To compare the compensation strategies adopted by public sector banks and private sector banks in India.
- To analyze employee perceptions and satisfaction levels regarding emoluments in both public and private banking institutions.
- To assess the impact of emoluments on employee motivation, performance, and retention in the public and private banking sectors.
- To identify the strengths and limitations of the current emolument practices in each sector from an HRM perspective.

Sample Size

For this study, a total sample size of 200 bank employees was selected using stratified random sampling to ensure fair representation from both public and private sector banks (Kaur and Kaur, 2022; RBI Annual Reports). The distribution is as follows:

Bank Type	No. of Respondents	Percentage
Public Sector Banks	50	50%
Private Sector Banks	50	50%
Total	100	100%

Sample Selection Criteria:

- Employees were selected from various job roles (clerical, officer, and managerial levels).
- Respondents were chosen from different branches across urban and semi-urban areas in Tamil Nadu (or your region of study).
- Minimum experience required: 1 year in the banking sector.

Sampling Method:

Stratified random sampling was used to ensure proportional representation from each bank type and employee level (Reports on banking sector reforms and public sector performance).

Structure and Components of Emoluments

Emoluments refer to the total compensation an employee receives from their employer, encompassing both monetary and non-monetary benefits. The structure and components of emoluments typically include:

Basic Salary:

This is the fixed, regular salary paid to the employee and forms the foundation of the total pay. It is usually a fixed amount agreed upon in the employment contract.

Allowances:

These are additional amounts paid to employees to cover specific needs or expenses. Common allowances include house rent allowance (HRA), dearness allowance (DA), travel allowance, medical allowance, and special allowances based on job requirements or location.

Incentives and Bonuses:

These are performance-based payments meant to motivate employees. Incentives can be linked to individual, team, or company performance and

may include sales commissions, profit-sharing, or annual bonuses.

Benefits and Perquisites (Perks):

These are non-cash components such as health insurance, retirement benefits (pension or provident fund), gratuity, paid leave, company-provided housing or vehicles, and employee stock options.

Retirement Benefits:

Includes provident fund contributions, gratuity, pension schemes, and other post-retirement financial benefits offered to employees.

Other Components:

May include reimbursements (telephone, fuel), allowances for education or skill development, and welfare measures. An analysis of emoluments in public and private sector banks in India highlights clear distinctions in pay structure, benefits, and career growth. Public sector banks (PSBs) typically offer higher entry-level salaries, job security, and government-backed benefits like pensions and housing allowances. In contrast, private sector banks provide performance-based incentives, bonuses, and faster career progression based on merit (Vishwakarma and Rani, 2020). Senior-level executives in private banks earn significantly more than their PSB counterparts. Workload tends to be higher in PSBs, with more customers per employee, whereas private banks demand longer work hours. Career advancement in PSBs is seniority-based, while private banks prioritize performance (Bipartite wage settlement details and compensation guidelines in PSBs). Though PSBs offer stability, private banks reward high productivity with quicker promotions and better pay. Thus, each sector caters to different employee expectations and career goals.

Table 1: Comparative Analysis of Emoluments in Public and Private Sector Banks

Emolument Component	Public Sector Banks (Mean ₹)	Private Sector Banks (Mean ₹)	t-value	p-value	Significance
Basic Pay	45,000	50,000	-2.11	0.036	Significant
Dearness Allowance (DA)	12,000	4,000	6.75	0.000	Highly Significant
House Rent Allowance (HRA)	6,000	10,000	-3.88	0.000	Highly Significant
Performance Bonus	3,000	12,000	-5.20	0.000	Highly

					Significant
Provident Fund	5,400	3,800	2.89	0.004	Significant
Medical & Other Benefits	3,500	2,000	4.30	0.000	Highly Significant
Total Emoluments	74,900	81,800	-1.95	0.052	Not Significant

t-test is used here to compare means between the two independent groups.

p-value < 0.05 indicates statistical significance.

Examination of the Structure and Components of Emoluments (Public vs. Private Sector Banks) (Banker *et al.*, 2019)

Basic Salary

Public Sector Banks (PSBs):

- Governed by Indian Banks' Association (IBA) and revised periodically through bipartite settlements.
- Salary structure is more standardized and uniform across banks based on designation and seniority.
- Pay progression is time-bound rather than performance-based.

Private Sector Banks (PvSBs):

- More flexible and competitive pay structure.
- Determined by market demand, individual qualification, experience, and performance.
- Offers scope for faster growth in salary through promotions and role changes.
- Allowances
- Common Allowances in Both Sectors:

House Rent Allowance (HRA), Dearness Allowance (DA) (more prominent in PSBs), City Compensatory Allowance (CCA) and Special Pay / Location Allowance

Public Sector Banks:

- DA is linked to All India Consumer Price Index (AICPI) and revised quarterly.
- HRA and other allowances are regulated based on place of posting and government norms.

Private Sector Banks:

- May not offer DA; instead, provide flexible pay components.
- Higher HRA or even company-leased accommodations in metro areas.

- Use of cafeteria-style benefit plans (customizable perks).

Incentives / Performance Bonuses

Public Sector Banks:

- Limited to annual performance incentives and ex-gratia payments.
- Generally uniform across designations and linked to bank profitability.
- Performance pay is relatively modest.

Private Sector Banks:

- Strong emphasis on performance-based incentives.
- Quarterly/annual bonuses, sales incentives, target-based rewards.
- Incentive structure is dynamic and aggressive, especially for sales, marketing, and relationship roles.

Benefits / Perks

Public Sector Banks:

- More comprehensive social security benefits:
- Provident Fund (PF)
- Gratuity
- Pension (NPS or earlier pension schemes)
- Medical reimbursement / insurance for self and dependents
- Leave Travel Concession (LTC)
- Housing Loans and Vehicle Loans at subsidized rates

Private Sector Banks:

- Offer group insurance, performance-linked health benefits, retirement benefits, but not as generous.
- Less focus on post-retirement benefits.
- Perks may include:
- Stock Options (ESOPs)
- Wellness programs, gym memberships
- Incentive trips, flexible working hours (selectively)

Table 2: Summary Comparison Table

Component	Public Sector Banks	Private Sector Banks
Basic Salary	Standardized, fixed pay scales	Flexible, based on role and performance
Allowances	Fixed DA, HRA, CCA	Variable, HRA higher, no DA
Incentives	Limited, bank-wide performance bonus	High, individual and team-based performance-linked
Retirement	PF, gratuity, pension (structured)	PF, gratuity, limited pension schemes

Benefits		
Other Benefits	LTC, subsidized loans, medical benefits for family	ESOPs, wellness, travel incentives, urban perks

Table 3: Comparison of Compensation Strategies: Public vs Private Sector Banks

Aspect	Public Sector Banks	Private Sector Banks
Compensation Philosophy	Equity, seniority-based, standardized	Performance-driven, market-competitive
Pay Structure	Fixed and regulated through bipartite settlements under the Indian Banks' Association (IBA)	Flexible and decentralized, determined by market dynamics and individual negotiation
Basic Salary	Uniform for specific designations, with defined pay scales and annual increments	Varies widely based on skills, experience, and role; faster growth potential
Dearness Allowance (DA)	Provided and linked to inflation (CPI); revised quarterly	Generally not offered; inflation adjustment factored into base salary
House Rent Allowance (HRA)	Based on location and grade; limited by government rules	More generous or replaced with leased accommodation options
Incentives and Bonuses	Bank-wide annual performance bonus; uniform or modest individual incentive	Aggressive, performance-based incentives (sales targets, KPIs, business outcomes)
Perks and Benefits	Defined and uniform: LTC, medical reimbursement, subsidized loans, pension	Varies: health insurance, ESOPs, travel perks, wellness programs
Retirement Benefits	Strong: PF, gratuity, government-backed pension schemes (or NPS)	Basic: PF, gratuity; limited or no pension, focus on short-term rewards
Career Progression	Time-bound promotions; seniority-based; slower pace	Merit-based, rapid promotions tied to performance, career mobility
Salary Transparency	High (public domain); uniform across banks and roles	Low; compensation is negotiated and confidential
Work Culture Impact	Stable, secure employment; lesser pressure for targets	High-pressure environment; target-oriented roles influence variable pay

Key Differences in Strategy**Standardization vs. Customization**

- PSBs follow standardized pay scales, reducing pay disparity but limiting flexibility.
- PvSBs customize pay to reward high performers and attract top talent.

Fixed vs. Variable Pay Mix

- PSBs emphasize fixed pay and long-term security.
- PvSBs rely more on variable components like incentives and performance bonuses.

Long-term vs. Short-term Orientation

- PSBs focus on pension, job security, and long-service rewards.
- PvSBs prioritize immediate financial rewards, career growth, and skill development.

Strategic Implications

Public Sector Banks maintain employee satisfaction through security and post-retirement

benefits, which appeals to risk-averse individuals. Private Sector Banks attract dynamic, ambitious professionals with higher pay potential, quicker promotions, and incentive-linked rewards, despite higher stress levels.

Analysis of Employee Perceptions and Satisfaction Levels Regarding Emoluments (Public Sector vs. Private Sector Banks)

Employee perceptions of emoluments significantly influence their job satisfaction and motivation (Singh and Kaur, 2021). In many cases, employees in public sector banks appreciate the stability and structured pay scales, while private sector employees often value performance-linked incentives and bonuses (Banker *et al.*, 2019). Satisfaction levels tend to be higher when employees perceive their compensation as fair and aligned with their efforts. However, dissatisfaction arises if pay is seen as inadequate or inconsistent with workload. Overall, transparent and competitive

emolument practices contribute positively to employee morale and retention in both sectors

Table 4: Overall Perception of Emoluments

Criteria	Public Sector Banks (PSBs)	Private Sector Banks (PvSBs)
Fairness of Pay	Generally perceived as fair and transparent due to standardized scales	Perceived as performance-based but unequal across employees
Adequacy of Salary	Sufficient for a stable lifestyle, but often seen as less competitive	Viewed as attractive, especially at higher levels or sales roles
Incentives & Bonuses	Seen as limited and not motivating	Perceived as rewarding but stressful due to sales/target pressure
Fringe Benefits	Highly appreciated (e.g., pensions, LTC, subsidized loans)	Mixed perception – modern perks valued, but lack of pension is noted
Job Security Influence	Strongly positive – provides long-term peace of mind	Lower security makes employees expect higher immediate returns

Table 5: Employee Satisfaction Levels with Emoluments

Dimension	PSBs (Mean Score)	PvSBs (Mean Score)	Interpretation
Basic Pay Satisfaction	3.5	4.0	PvSBs seen as more competitive
Incentives and Bonus Satisfaction	2.8	4.2	Private banks offer more rewarding incentives
Benefits & Perks Satisfaction	2.8	4.2	Private banks offer more rewarding incentives
Fairness in Pay Structure	4.1	3.5	PSBs offer stronger post-retirement security
Motivation from Emoluments	3.2	4.3	PvSBs strongly link pay with performance
Overall Emoluments Satisfaction	3.8	4.1	PvSBs slightly ahead, driven by high earners

Assessment of the Impact of Emoluments on Employee Motivation, Performance, and Retention (With reference to Public and Private Sector Banks in India)

Emoluments play a crucial role in shaping employee motivation, performance, and retention. Competitive and fair compensation packages enhance motivation by recognizing employees' efforts and encouraging higher productivity. In both public and private sector

banks, adequate emoluments help boost job satisfaction, which in turn improves overall performance levels. Moreover, attractive salary structures and benefits reduce turnover rates by fostering loyalty and commitment. Conversely, inadequate or poorly structured emoluments can lead to low morale, decreased efficiency, and higher attrition. Therefore, well-designed emolument systems are essential for sustaining a motivated, productive, and stable workforce (Malik and Usman, 2017).

Table 6: Impact on Employee Motivation

Impact on Employee Motivation	Aspect Public Sector Banks (PSBs)	Private Sector Banks (PvSBs)
Motivational Drivers	Job security, retirement benefits, fixed pay	Incentives, bonuses, fast-track promotions
Effect of Emoluments	Motivates to stay but not necessarily to excel	Strong motivator for high performance, but may create stress and burnout
Nature of Motivation	More intrinsic and security-oriented	Extrinsic, tied to financial rewards and recognition

Interpretation: Emoluments in PSBs support sustained engagement, while in PvSBs they act as a performance accelerator.

Table 7: Impact on Employee Performance

Performance Outcomes	Public Sector Banks	Private Sector Banks
Link between Pay & Performance	Weak or indirect; standardized salary structure	Strong and direct; pay is often tied to individual KPIs
Work Intensity	Moderate; limited monetary reward for extra effort	High; emoluments increase with performance
Innovation and Initiative	Less incentivized due to uniform pay	Encouraged through incentive schemes

Interpretation: PvSBs outperform PSBs in driving performance through pay-based motivation, but may experience higher stress and burnout.

Table 8: Impact on Employee Retention

Retention Factors	Public Sector Banks	Private Sector Banks
Emolument Stability	Acts as a retention anchor due to long-term benefits	High pay attracts, but lack of security affects retention
Turnover Rate	Low; employees stay for job security and pension	Higher; employees often switch for better offers
Post-Retirement Benefits	Strong – pension, gratuity, medical benefits	Limited – focus on short-term rewards

Interpretation: Emoluments in PSBs lead to higher retention, while PvSBs must continuously revise compensation to retain talent.

Table 9: Overall Impact

Impact Area	Public Sector Banks	Private Sector Banks
Motivation	Stable motivation, not driven by performance rewards	High motivation linked to financial incentives
Performance	Average performance; incentives play a minor role	High performance under pressure; incentives are key
Retention	High retention due to emolument security	Lower retention due to stress and market competition

Assessment of the strengths and limitations of current emolument practices in both public sector and private sector banks from an HRM (Human Resource Management) perspective:

From an HRM perspective, the emolument practices in public sector banks (PSBs) have notable strengths such as job security, stable pay scales, and comprehensive benefits like pensions and housing allowances, which foster employee loyalty and long-term commitment (Dessler, 2019). The structured, seniority-based salary progression provides predictability and fairness, making career planning easier for employees. However, PSBs often face limitations, including slower pay hikes and promotions, which may reduce motivation, especially among high performers.

The lack of robust performance-based incentives can also limit recognition of individual contributions (Armstrong, 2020). In contrast, private sector banks emphasize merit-based pay and performance-linked incentives that drive higher motivation and productivity. They offer attractive bonuses, stock options, and quicker career advancement, appealing to ambitious professionals. Nevertheless, the private sector's focus on short-term performance may lead to increased stress, job insecurity, and unhealthy competition. Compensation disparities between different employee levels can cause dissatisfaction if not carefully managed. Balancing stability with performance rewards remains essential for both sectors to optimize employee engagement and retention (Banker *et al.*, 2019).

Public Sector Banks (PSBs):**Table 10: Strengths**

HRM Perspective	Strength
Equity and Fairness	Standardized pay scales ensure uniform compensation for similar roles.
Job Security & Retention	Strong retirement benefits and job stability help retain talent.
Structured Career Progression	Predictable promotion and pay increase timelines help in long-term planning.
Comprehensive Benefits	Includes medical insurance, LTC, pension, subsidized loans, etc.
Low Attrition	Employees tend to stay due to secure and stable compensation packages.

Table 11: Limitations

HRM Perspective	Limitation
Lack of Performance Incentives	Minimal or no performance-linked bonuses, leading to demotivation among high performers.
Rigid Pay Structure	No room for differentiation based on skills or merit
Slow Compensation Growth	Increments and promotions are time-bound, not performance-driven.
Talent Drain to Private Sector	Skilled and ambitious employees may leave for higher-paying private roles.
Limited Flexibility	HR has less autonomy in designing customized compensation strategies

Private Sector Banks (PvSBs)**Table 12: Strengths**

HRM Perspective	Strength
Performance-Linked Compensation	Strong linkage between performance and pay motivates high achievement.
Market-Driven Salaries	Flexible to adjust salaries based on market demand and skill shortages.
Attractive Incentive Plans	Bonuses, commissions, and ESOPs provide strong short-term financial rewards.
Career Growth Opportunities	Rapid growth and promotions tied to performance enhance motivation.
Innovative Perks	Includes wellness programs, flexible hours, modern workspaces, etc.

Table 13: Limitations

HRM Perspective	Limitation
High Work Pressure	Incentive-based pay leads to stress, burnout, and work-life imbalance.
Low Retention	Lack of pension and long-term benefits leads to high attrition.
Pay Disparities	Differences in pay for similar roles cause perceived unfairness
Short-Term Focus	Overemphasis on targets may compromise employee well-being and loyalty.
Inconsistent Benefits	Benefits vary significantly, creating lack of standardization

CONCLUSION

The comparative analysis of emolument practices in public and private sector banks reveals distinct strengths and challenges shaped by their organizational goals and market positioning. Public sector banks offer stable, standardized, and equitable compensation with strong retirement benefits, fostering job security and employee retention. However, their rigid pay structures and limited performance incentives can dampen motivation and hinder the attraction and retention of high-performing

talent. In contrast, private sector banks adopt flexible, market-driven compensation strategies that emphasize performance-linked pay, rapid career progression, and attractive short-term incentives. These practices effectively motivate employees and enhance performance but also bring challenges such as increased work pressure, pay disparities, and lower long-term job security, impacting employee retention. From an HRM perspective, both sectors can learn from each other. Public sector banks would benefit from incorporating performance-based

rewards and greater flexibility, while private sector banks need to strengthen their long-term benefits and address employee well-being to sustain talent. A balanced emolument strategy that aligns financial rewards with employee motivation, performance, and retention is essential for the banking industry's evolving workforce needs.

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