

A Comparative Study on The Compensation Management of SBI and HDFC Bank

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ABSTRACT

In any profit-arranged association, employment relationship is viewed as a trade procedure where employees give contributions to terms of abilities and mastery as an end-result of different compensations from the employer. From the viewpoint of the employee, pay has a significant effect on Standard of living, status, and security. Less direct types of compensation, for example, medicinal services, annuities and different advantages likewise importantly affect employees' prosperity. From the employer's perspective, compensation is both a significant expense of working together that should be controlled and a speculation that must produce satisfactory returns regarding employee mentalities, abilities, practices, and association performance. The current article compares the compensation management of SBI and HDFC bank.

KEYWORDS:

Compensation, Management, Employees, Bank

INTRODUCTION

The term Compensation alludes to all type of financial returns and substantial advantages that employees get as a piece of an employment relationship. As the business condition progressively gets mind boggling and worldwide, the test to make and keep up powerful compensation programs, given cost limitations, additionally requires more noteworthy expert aptitude, authoritative getting, inventiveness and vision than at any other time.

Compensation normally is separated into two types, to be specific Direct Compensation and Indirect Compensation.

Direct compensation

Direct compensation alludes to financial advantages offered and gave to employees consequently of the administrations they give to the association. The money related advantages incorporate fundamental compensation, house lease allowance, transport, leave travel allowance, clinical repayments, exceptional allowances, bonus, Pf/Tip, and so on. They are given at a normal interim at a positive time.

Basic Salary

Pay is the sum gotten by the employee in lieu of the work done by him/her for a specific period state a day, seven days, a month, and so on. It is the cash an employee gets from his/her employer by rendering his/her administrations.

House Rent Allowance

Associations either give lodging to its employees who are from various state or nation or they give house lease allowances to its employees. This is done to give them standardized savings and rouse them to work.

Conveyance

Associations accommodate cab offices to their employees. Scarcely any associations additionally give vehicles and petroleum allowances to their employees to persuade them.

Leave Travel Allowance

These allowances are given to hold the best ability in the association. The employees are offered allowances to visit wherever they wish with their families. The allowances are scaled according to the situation of employee in the association.

Medical Repayment

Associations additionally take care of the wellbeing states of their employees. The employees are given medi-claims for them and their relatives. These medi-claims incorporate medical coverages and treatment charges repayments.

Bonus

Bonus is paid to the employees during happy seasons to inspire them and give them the government managed savings. The bonus sum typically sums to one month's pay of the employee.

Special Allowance

Special allowance, for example, extra time, versatile allowances, suppers, commissions, travel costs, diminished intrigue advances; insurance, club enrollments, and so on are given to employees to give them government disability and persuade them which improve the authoritative profitability.

Indirect Compensation

Indirect compensation alludes to non-fiscal advantages offered and gave to employees in lieu of the administrations gave by them to the association. They incorporate Leave Approach, Additional time Arrangement, Vehicle strategy, Hospitalization, Insurance, Leave travel Help Cutoff points, Retirement Advantages, Occasion Homes.

Leave Policy

It is the privilege of employee to get sufficient number of leave while working with the association. The associations accommodate paid leaves,

for example, easygoing leaves, clinical leaves (wiped out leave), and maternity leaves, statutory compensation, and so on.

Overtime Approach

Employees ought to be given the satisfactory allowances and offices during their extra time, on the off chance that they happened to do as such, for example, transport offices, additional time pay, and so on.

Hospitalization

The employees ought to be given allowances to get their customary registration, state at an interim of one year. Indeed, even their wards ought to be qualified for the medi-claims that give them passionate and standardized savings.

Insurance

Associations additionally accommodate unintentional insurance and life insurance for employees. This gives them the passionate security and they feel themselves esteemed in the association.

Leave Travel

The employees are furnished with leaves and travel allowances to go for occasion with their families. A few associations orchestrate a visit for the employees of the association. This is typically done to make the employees tranquil.

Retirement Benefits

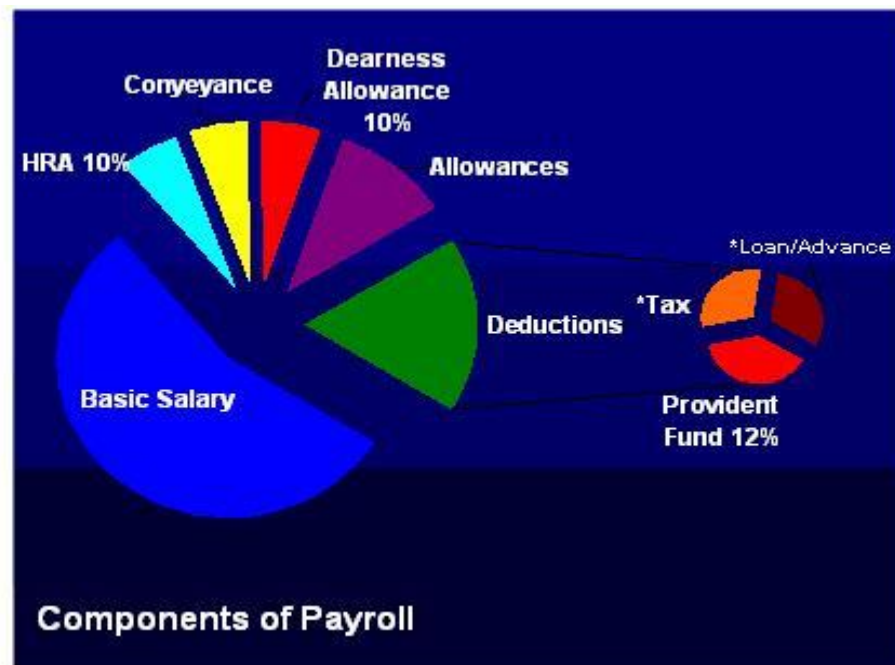
Associations accommodate annuity plans and different advantages for their employees which benefits them after they resign from the association at the endorsed age.

Holiday Homes

Associations accommodate occasion homes and visitor house for their employees at various areas. These occasion homes are typically situated in slope station and other most needed occasion spots. The associations ensure that the employees don't confront any sort of troubles during their stay in the visitor house.

Flexible Timings

Associations accommodate adaptable timings to the employees who can't come to work during ordinary moves because of their own issues and substantial reasons.



Graphical Breakup of Monthly Payroll

Deductions, for example, assessment and advance/progresses taken by the employee from associations are deducted just where applicable. Dearness Allowance and House lease allowance is given at a fixed rate expressed by the employment law. Opportune store is deducted from the gross compensation of employee on the month to month premise according to the employment law, which is given later to the employee. Associations likewise contribute a similar add up to the fortunate store of the employee.

Need of Compensation

- Unless compensation is given nobody will come and work for the association. Therefore, compensation helps in running an association adequately and achieving its objectives.
- Salary is only a piece of the compensation framework, the employees have other mental and self-completion needs to satisfy. Hence, compensation fills the need.
- The most serious compensation will assist the association with attracting and support the best ability. The compensation bundle ought to be according to industry standards.

Compensation in Banking Sector

Banking and money division is right now encountering high development rate about everywhere throughout the world including India. With expanded FDI and high swelling rates, account division is getting a charge out of high stores. Financial organizations and business banks are extending their business and going for enormous scope enrollments. The banks are working together with insurance units to give insurance inclusion to their customers. Not many of the banks are likewise managing in gold and silver.

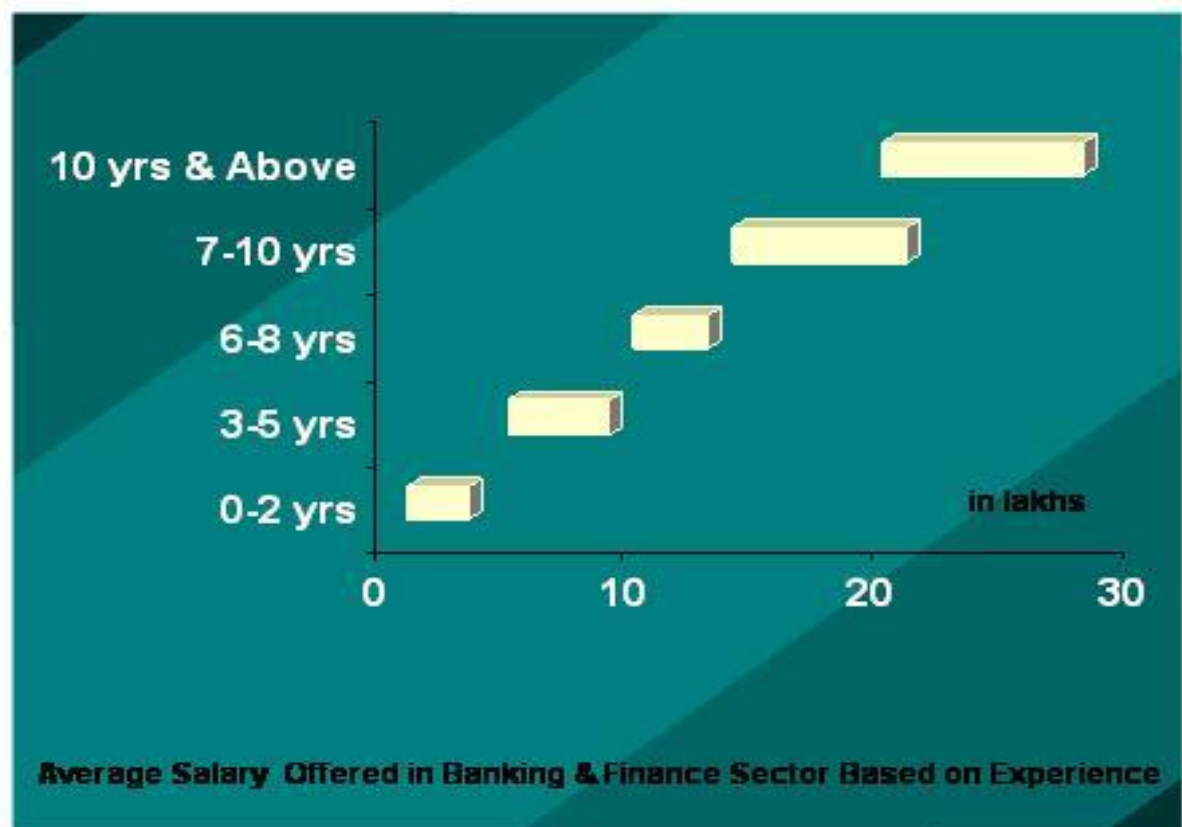
Nationalized banks are favored more as they accommodate professional stability. Compensation bundles in banks have consistently been worthwhile. Motivating forces, uncommon allowances, travel leaves,

concessions, paid excursions, paid leaves, retirement benefits are likewise offered alongside fundamental compensation and different allowances, for example, house lease allowance, transportation vehicle and so on.

Compensation bundle in fund and banking area relies upon the degree of information and experience an individual have. Top players in India, for example, nationalized banks-Bank of India, SBI, Indian Abroad Bank, Bank of Baroda, Punjab National Bank, HDFC, ICICI and other private banks, financial organizations, for example, Bajaj Capital, Kotak Mahindra, and so on, are offering significant compensation bundles with rewarding impetuses to pull in and hold their capable work power.

COMPENSATION ON THE BASIS OF EXPERIENCE

In the context of Indian Banking sector, it is seen that as age increases, the compensation also increases proportionally.



ENTRY LEVEL COMPENSATION PACKAGES

Indian account and banking part extends employment opportunities in different portions. The administrative level employments are held by the board experts, trade graduates and account experts.

Aside from pay bundles fund experts additionally get high motivating forces and advantages. The business accommodates unique allowances, for example, yearly bonus, house lease allowances, portable allowances, transportations, travel leaves, paid excursions, and so forth.

Management Level Compensation

The compensation bundles offered to administrative level employees are especially rewarding. Other than the fundamental pay employees are additionally given overwhelming advantages and motivators with unique allowances. They are offered club participations, organization's vehicle, travel leaves, paid excursions, different allowances and non-money related advantages.

Associations additionally direct preparing and advancement programs for their employees' expert development. Associations accommodate confirmation courses and online degree courses for the employees.

At more significant level employees are given employee investment opportunities. People are given equivalent inclinations based on their performance.

Nationalized banks extend employment opportunity security and private financial establishments give high worthwhile bundles. Prior bank employments were viewed as truly agreeable ones however now the situation has been changed. Indian financial part is setting out toward 24*7. A portion of the nationalized and private banks have begun working 8 to 8.

COMPENSATION MANAGEMENT IN SBI

Employees of state-possessed banks will before long dispose of their tag of being considered as poor cousins of their partners in new-age private

and outside banks as far as compensation bundles. As indicated by the high ranking representative with information on the issue said that the Cabinet has given the endorsement to a proposition for an investment opportunity plan for staff members of the nation's biggest bank, State Bank of India, denoting a first in the Indian financial industry and maybe for any state-possessed organization.

The authority said the bank, which is planning for a rights offering of over Rs 16,000 crore this monetary, may in a decent position presently to divulge an employee investment opportunities plan (ESOP) conglomerating up to 0.7% of its capital base of Rs 526 crore. Authorities had educated ET that the bank will talk about on the proposition of combining all its partner manages an account with the parent in January. Till now no official affirmation is accessible on whether the leading group of the bank and its partners would think about this proposition.

The proposition, which means to remunerate esteem makers for state-possessed banks simply like their companions in private banks dependent on a characterized performance standard, has been really taking shape for long. Two or three years back the administration had talked about the proposition with the financial controller, however it's just since it has had the option to get the proposition off the ground. The

legislature is the main investor in 28 banks in the nation with stakes running from 100% to 53%.

By offering investment opportunities, it is accepted that it could bring inspiration among the employees which could consider the performance of their associations. Anyway in a financial exchange, which has posted awesome increases in the course of the most recent couple of years, this can end up being perhaps the best device to both hold and pull in ability in state-claimed banks given their powerlessness to offer significant compensation parcels.

A persuading reason now for giving the gesture for investment opportunities can be the up and coming opening up of the financial segment to remote speculators a year down the line and expanded rivalry in the nearby markets. Authorities are of view that the choice taken to permit SBI to offer investment opportunities will open the path for other state-possessed banks and units to think of comparable offers. SBI has more than two lakh employees on its moves spread across more than 9,500 branches in India and 84 workplaces abroad in 32 nations.

UTI AMC, which it could be said is a semi government substance, has guided the path by offering offers to every one of its employees numbering more than 1,000. Authorities of SBI, be that as it may, said the ESOP would be free of the rights offering. This implies it would be

divulged maybe in the following monetary just as the subtleties should be fleshed out.

A weekend ago, the government provided a letter to SBI through which it has given sign of its eagerness to buy in to its privilege of the rights issue. The legislature has 59.73% of the value holding in the bank; it will give protections collecting Rs 10,000 crore to SBI to finance its membership. A protections reclamation support which may be made will be worked out of the profits and duty receipts which the legislature will get from SBI. The store will empower the administration to trade out the protections on development.

Authorities expressed that the SBI administrator had conversations with the fund service a week ago on the modalities of the proposed rights offering. The rights issue is planned for reinforcing the capital of the bank. SBI will require the cash-flow to satisfy the Basel II standards and new bookkeeping standards and to subsidize credit development.

COMPENSATION STRUCTURE IN HDFC

COVERAGE

- Compensation
- Loan Facilities, etc,

Total Emoluments incl. Reimbursement for the post of Assistant manager

- Gross Salary Rs.16, 900/- p.m.
- Reimbursements# Rs. 5400-8300/- p.m.
- Total (approx) Rs.23, 300 – 25,200/- p.m.
- Annual Gross emolument Rs.2.79 – 3.02 lakh (approx)

In addition, bank housing/ leased accommodation is provided. (Lease rentals varying between Rs. 2750 – 8000/- p.m.)

Include Reimbursement towards medical, newspaper, telephone, petrol, LTA, etc. - Periodical reimbursement as per policy.

Reimbursement (details)

- Medical Expenses:
- Unlimited for self and dependent family members.
- Additional Rs.2,500/- p.a. on declaration basis.
- Cleaning Expenses: Rs.1,000/- p.m.
- Conveyance Expenses:
- Petrol: Rs.5,280/ 2400 p.m for Four wheeler/Two wheeler and insurance cost.
- Non-vehicle owners - Rs. 600/- p.m.
- Newspaper Expenses: Rs.400/- p.m.
- Telephone Expenses: Rs.1,154/- bi monthly
- LTA: Rs.20,000/- once in 2 years on declaration
- Brief case: Rs.2,000/- once in 3 years

Superannuation & other benefits

- Provident Fund: 10% contribution by the employee
- Pension: Eligible as per Rules.
- Gratuity: Eligible as per Rules.

Loan facilities

- Housing Loan:
 - After 3 years of confirmation. (Including probation period)
 - 80 times of basic pay OR 90% of the cost subject to maximum of Rs.15 lakh.
 - Rate of Interest: 5% p.a.
- Festival Advance:
 - Rs.20,000/- after 6 months of service
 - (Interest free) once in a calendar year.
 - Repayable in 10 monthly instalments.
- Consumer Advance:
 - Eligible: 2 years of confirmation (including probation period)
 - Amount: Rs.40,000/-
 - Rate of Interest: Prevailing Bank rate at the time of disbursement.
- Computer Advance:
 - 1 year after confirmation
 - Amount: 90% of cost of PC OR Rs.75,000/- whichever is less.
 - Rate of Interest: Prevailing Bank rate at the time of disbursement
- Vehicle Advance:

I) Car:

- 3 years of confirmation.

(Including probation period)

- 100% of the cost subject to maximum of

Rs.3,00,000/- (Rate of Interest : 7% p.a.)

II) Two wheeler:

- 3 years of confirmation.

(Including probation period)

- 90% of the cost subject to maximum of

Rs.40,000/- (Rate of Interest : 7% p.a.)

- Advance for Consumer Durables for furnishing residence (Lease facility):

- 2 years service

- Rs.30, 000/-

- Recovery of Rs.1020/- p.a.

Other facilities (Examples of Indirect Compensation)

In addition, Employees are also provided facilities such as:

- Reimbursement of fees for pursuing professional courses.
- Holiday home facility at various locations all over the country.

CONCLUSION

Banks play a crucial role in determining the economic wellbeing of an economy and the same is true for India also. In its context, we find the segment differentiated into segments like the public and the private sector. Post liberalization phase has seen a massive change in the working of these institutions. All of them have realized the cut throat competition and for the same, they all are focusing on excellence in performance in all spheres of work. To ensure the same with the workforce, a sea change has been seen in the human resource policies of the banking sector.

This becomes the reason why the compensation schemes have been modified. Earlier, basically the direct component on the compensation formed the essential part of the payment. Now also it is so, but the components of direct compensation have been modified. The idea is to drive excellence, and for this, concepts like incentive component, sales based commissions among others are gaining prominence in determining the magnitude of net compensation of a bank staff.

Regular and effective performance appraisals help the employers to determine the effectiveness of the bank staff and accordingly fine tune the compensation as the net salary is heavily affected by the performance based payment factor. This is one of the reasons why some private sector banks have seen exponential growth in sales figure in the recent past. The Indian Banks' Association, along with the finance ministry and the

RBI, which plays a pivotal role when the public sector banks determine compensation strategies, has also taken clue from their counterparts and has thus come up with performance based incentives.

It has been accepted that a motivated employee can help create an efficient organization and money in most case becomes the driving force. This becomes relevant for the present competitive banking scenario also. This realization has given rise to the changes in the compensation schemes in this sector. As the market undergoes further modifications directed by the changes in local as well as the global economy, it becomes a challenge for the HR managers to work out more efficient compensation schemes.

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