

EMPLOYEE ENGAGEMENT AND SUSTAINABLE BANKING PRACTICES - AN EMPIRICAL STUDY OF EMPLOYEES' PERCEPTIONS

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Abstract

With increasing emphasis on environmental, social, and governance factors, employee engagement plays a crucial role in promoting the sustainable development goals of the banking sector. This study examines the relationship between employee engagement dimensions and sustainable banking practices among private sector bank employees. The findings reveal a significant but moderate correlation ($r = 0.338, p = 0.000$) between employee engagement and sustainable banking practices. Regression analysis indicates that absorption ($\beta = 0.287, p = 0.002$) and dedication ($\beta = 0.218, p = 0.016$) significantly influence sustainable banking practices. The study underscores the importance of engaged employees in fostering sustainability initiatives in the banking sector.

Keywords:- Employee Engagement, Sustainable Banking Practices, Employee's Perceptions, Private Sector Bank Employees, Employee commitment.

*J*n the fast-evolving banking industry, sustainability has become a crucial strategic focus, with financial institutions striving to integrate environmental, social, and governance (ESG) principles into their

operations. Employee engagement is a key driver of this transition, influencing the adoption of sustainable banking practices such as responsible financing, ethical investments, and energy-efficient operations. Engaged employees

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demonstrate higher productivity and commitment, contributing positively to service quality, customer satisfaction, and operational efficiency (Harter et al., 2002). Furthermore, engaged employees are more likely to align with organizational values and actively participate in corporate sustainability initiatives (Bakker et al., 2008).

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In the context of private sector banks in Kerala, many financial institutions struggle with implementing effective green banking strategies due to a lack of employee awareness and involvement. Engaged employees can significantly enhance the success of sustainability efforts, yet the empirical linkage between employee engagement and sustainable banking practices remains underexplored (Ehnert et al., 2016; Iqbal et al., 2018). Organisations often overlook the significance of employee commitment in the execution of sustainability initiatives, leading to challenges in long-term implementation (Pfeffer, 2010).

This study examines how employee engagement contributes to sustainable banking practices in private sector banks in Kerala and identifies the key factors influencing this relationship. By addressing this research gap, the study intends to

provide insights that can guide banking institutions in effectively leveraging employee engagement to strengthen their sustainability outcomes.

2. Significance of the Study

The study has the potential to provide empirical insights into the critical role of employee engagement in fostering sustainable banking practices. Employee engagement is widely recognized as a vital factor in enhancing organizational performance, and its relevance to sustainability has gained increasing attention in recent years (Shuck & Reio, 2014). Understanding how engaged employees contribute to green banking initiatives will help financial institutions develop targeted strategies to cultivate a sustainability-oriented workforce.

By identifying the key drivers of employee participation in sustainable banking initiatives, this study offers valuable guidance for banking institutions in optimizing their human capital. The findings can assist financial managers in designing employee engagement strategies that align with sustainability objectives, ultimately leading to improved sustainability outcomes (Saks, 2006). The study also emphasizes the role of human capital in achieving long-term environmental and social goals within the financial sector, highlighting the importance of employee engagement in organizational sustainability efforts.

3. Statement of the Problem

As sustainability becomes a core objective for financial institutions, banks are increasingly adopting green banking practices to align with ESG principles.

However, many banks face difficulties in successfully implementing sustainability initiatives due to a lack of employee engagement and awareness. While corporate policies and regulatory frameworks shape sustainability strategies, the role of engaged employees in driving sustainable banking remains underexplored. Despite this, the empirical linkage between internal marketing practices and the level of employee engagement, specifically in the banking sector, has not been thoroughly explored, presenting a notable gap in both academic literature and practical application (Kaur et al., 2015).

Studies indicate that engaged employees demonstrate higher commitment, innovation, and collaboration, which are essential for implementing sustainability initiatives (Bakker & Demerouti, 2017). However, existing research focuses largely on external sustainability factors, neglecting the impact of employee engagement on green banking. Without a motivated workforce, sustainability initiatives may fail to achieve meaningful long-term results. Thus, this study aims to examine the relationship between employee engagement and sustainable banking practices and identify the specific factors that enhance employee engagement in sustainability efforts.

4. Objectives of the Study

- To analyze the factors influencing sustainable banking practices through employee engagement.
- To examine the relationship between employee engagement and sustainability practices among bank employees.

- To assess the effect of different dimensions of employee engagement on sustainable banking practices.

5. Scope of the Study

This study focuses on perception of bank employees on employee engagement and sustainable banking practices, emphasizing private sector banks in Kerala. It explores how the dimensions of employee engagement, i.e., absorption, dedication, and vigor, affect the adoption and execution of sustainable banking initiatives. By emphasizing employee engagement as a key determinant of sustainable banking practices, the findings will aid financial institutions in designing effective workforce engagement strategies that enhance sustainability performance and align with corporate ESG objectives.

6. Methodology of the Study

This study employs a mixed-methods research design. Primary data were collected from bank employees through a structured questionnaire and semi-structured interviews. 120 employees working at various levels were selected from four private sector banks in Malappuram District of Kerala- HDFC, ICICI, Federal Bank, and Axis Bank, selected by considering the density of bank branches. The questionnaire assessed employee engagement (Absorption, Dedication, and Vigor) and sustainable banking practices (Sustainability Perception, Green Banking Adoption, Sustainability Knowledge, and Sustainability Barriers). Quantitative data were analyzed using SPSS software. The tools used for analysis include descriptive

statistics, t-test, ANOVA, correlation, and regression analysis. The key themes such as employee motivation, institutional challenges, and policy effectiveness were also assessed by interviewing 12 executive level employees. Secondary data were collected from journals, books, and websites. The mixed-method provides insights and implications of improving sustainable banking practices through enhanced employee engagement.

7. Results and Findings

The collected responses on the general profile of respondents, dimensions of employee engagement, and sustainability factors were compiled and analysed.

7.1 General Profile of Respondents

The demographic profile of the 120 bank employees includes 69 females (57.5 per cent) and 51 males (42.5 per cent). Age-wise, 42.5 per cent are below 30, 34.2 per cent are aged 30–40, and 23.3 per cent are above 40. In terms of education, 19.2 per cent have qualifications below a degree, 29.2 per cent hold a degree, 30.0 per cent are postgraduates, and 21.7 per cent fall into other categories. Job roles include 20.8 per cent in executive positions, 30.8 per cent in technical roles, 30.0 per cent in clerical posts, and 18.3 per cent in other roles. Work experience varies, with 15.8 per cent having up to 5 years, 21.7 per cent with 6–10 years, 33.3 per cent with 11–15 years, and 29.2 per cent with over 15 years. Respondents work in HDFC (22.5 per cent), ICICI (21.7 per cent), Federal Bank (28.3 per cent), and Axis Bank (27.5 per cent). This diverse sample offers a well-rounded representation of private sector banking employees.

7.2 Employee Engagement

Employee engagement entails a physical-energetic (vigor), an emotional (dedication), and a cognitive (absorption) component (Schaufeli et al., 2002). This study explored gender-wise differences in employee engagement using a t-test. The t-test results indicated that there is no statistically significant difference in employee engagement between male ($M = 2.9543$, $SD = 0.32642$) and female ($M = 3.0410$, $SD = 0.26275$) employees ($t = 1.559$, $p = 0.237$). ANOVA results to find the difference in employee engagement based on educational qualifications showed no significant difference in employee engagement across different educational qualification levels ($F = 0.796$, $p = 0.499$).

7.3 Sustainable Banking Practices

Sustainable banking could be seen as an ideology motivated by the need for new and sustainable approaches that can be used in transforming the industry, by applying innovative technologies that aid in the efficient and effective delivery of banking services (Walker, 2007). A significant gender-wise difference is observed, through T-test results, in perceptions of Sustainable banking practices, with males ($M = 2.8500$, $SD = 0.61129$) and females ($M = 2.8039$, $SD = 0.47852$) showing a statistically significant difference ($t = 0.446$, $p = 0.032$) at the 5 per cent significance level. The ANOVA results indicated a significant difference in perceptions of Sustainable banking practices among employees with varying educational qualifications ($F = 0.582$, $p = 0.001$), suggesting that education level influenced the employees' views on sustainable banking practices.

7.4 Relation between Employee Engagement and Sustainable Banking Practices

The study investigated the relationship between employee engagement and sustainable banking practices to uncover some noteworthy correlations using correlation analysis (Table 1).

Correlation analysis showed a moderate positive relationship between employee engagement and sustainable banking practices ($r = .34$, $p < .001$), indicating that higher engagement is associated with increased adoption of sustainable practices in the banking sector.

7.5 Influence of Employee Engagement on Sustainable Banking Practices

Regression analysis was performed to check the influence of Employee engagement on Sustainable banking

practices, which provided the following results (Table 2).

The model explains 12.5 per cent of the variance with ($R^2 = 0.125$) R being 0.354. The following ANOVA results were obtained (Table 3).

The regression analysis results indicated that employee engagement (comprising absorption, dedication, and vigor) significantly predicted Sustainable banking practices ($F = 5.535$, $p = 0.001$), though the model explains only 12.5 per cent of the variance ($R^2 = 0.125$).

Among the predictors, absorption ($\beta = 0.287$, $p = 0.002$) and dedication ($\beta = 0.218$, $p = 0.016$) shown a statistically significant positive impact on Sustainable banking practices, while vigor ($\beta = 0.162$, $p = 0.065$) is not a significant predictor at 5 per cent level (Table 4). These findings suggest that employees more absorbed

Table 1

Correlation Analysis

Relationship between Employee Engagement and Sustainable Banking Practices

	Mean	Std. Deviation	N	r	P Value
Employee Engagement	2.9911	0.30290	120	0.338	0.000
Sustainable Banking Practices	2.8304	0.55701	120		
At 5% significance level					

Source: Primary Data

Table 2

Regression Analysis Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.354 ^a	0.125	0.103	0.52766

a. Predictors: (Constant), Vigor, Absorption, Dedication.
b. Dependent Variable: Sustainable Banking Practices

Source: Primary Data

Table 3
Regression Analysis

ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.624	3	1.541	5.535
	Residual	32.298	116	0.278	
	Total	36.921	119		
a. Dependent Variable: Sustainable Banking Practices					
b. Predictors: (Constant), Vigor, Absorption, Dedication.					

Source: Primary Data

Table 4
Regression Analysis
Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	0.866	0.492		1.758
	ABSORPTION	0.288	0.089	0.287	3.224
	DEDICATION	0.222	0.091	0.218	2.446
	VIGOR	0.146	0.078	0.162	1.864
a. Dependent Variable: Sustainable Banking Practices					

Source: Primary Data

and dedicated to their work are more likely to engage in Sustainable banking practices, while vigor has a weaker influence.

8. Discussion

The findings provide valuable insights into how employee engagement relates to sustainability practices among private sector bank employees. The t-test results reveal that while there is no significant difference in employee engagement based

on gender ($p = 0.237$), a statistically significant difference exists in sustainable banking practices on the basis of gender ($p = 0.032$), suggesting that male and female employees perceive sustainability initiatives differently. This finding highlights the need for banks to tailor their sustainability awareness programs to address gender-based differences in perceptions.

The ANOVA results indicate that educational qualification significantly

influences employees' perceptions of sustainable banking practices ($F = 0.582$, $p = 0.001$), whereas it does not significantly impact employee engagement ($F = 0.796$, $p = 0.499$). This suggests that higher education levels may enhance employees' understanding and adoption of Sustainable banking practices. Banks should consider targeted sustainability training programs to bridge knowledge gaps among employees with different educational backgrounds.

The correlation analysis demonstrates a moderate positive relationship between employee engagement and sustainable banking practices ($r = 0.338$, $p = 0.000$), indicating that more engaged employees tend to adopt sustainable banking practices more actively. This finding underscores the role of engagement in driving sustainable behavior in the banking sector.

Regression analysis further establishes that employee engagement significantly predicts sustainable banking practices ($F = 5.535$, $p = 0.001$), though the model explains only 12.5 per cent of the variance ($R^2 = 0.125$). Among the engagement variables, absorption ($\beta = 0.287$, $p = 0.002$) and dedication ($\beta = 0.218$, $p = 0.016$) have a significant positive impact on Sustainable banking practices, whereas vigor ($\beta = 0.162$, $p = 0.065$) does not show a statistically significant effect. These results suggest that employees who are deeply immersed in their work and exhibit strong dedication are more likely to engage in Sustainable banking practices, reinforcing the importance of fostering a work culture that encourages commitment and involvement.

9. Recommendations

Based on the study's results, several practical recommendations are proposed to improve sustainable banking practices through enhanced employee engagement. First, banks should implement gender sensitive sustainability initiatives to address differing perceptions and promote inclusive participation. Educational programs are necessary to bridge knowledge gaps stemming from varying educational backgrounds. Strategies to increase employee engagement should focus on fostering dedication and absorption, such as involving employees in sustainability goals and recognizing their contributions. While vigor was not a significant predictor, maintaining employee energy through wellness programs and flexible work arrangements remains important. Linking sustainability objectives to performance appraisals and rewards could further motivate employees. Finally, establishing regular communication and feedback mechanisms will encourage continuous engagement and shared responsibility in sustainability efforts.

10. Conclusion

This study confirms that employee engagement plays a crucial role in influencing sustainable banking practices within private sector banks. The positive correlation between engagement and sustainability suggests that institutions seeking to strengthen their sustainability initiatives should give importance for enhancing employee engagement. The significant influence of the engagement dimensions of absorption and dedication

underscores the importance of cultivating a work environment that promotes deep involvement and strong commitment to organizational goals. The findings also reveal that gender and educational qualifications contribute to variations in perceptions of sustainable banking, highlighting the need for customized training programs that address these demographic differences.

Although employee engagement emerged as a significant predictor, the variance explained indicates that other factors, such as organizational policies,

leadership commitment, and regulatory frameworks, may also play a critical role in sustainability practices. Future research should examine these additional determinants to develop a more comprehensive understanding of the drivers of sustainable banking. Overall, the study emphasizes the strategic value of employee engagement in promoting sustainability and provides practical insights for policymakers and banking institutions to align employee commitment with broader sustainability objectives.

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