

Literature Review - Impact of Organization Culture on employee's satisfaction in Indian Banking Sector

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Abstract—Organizational culture has been an important theme in management and business research. Banks being significant player in the Indian economy are no exception to it. The Indian Banking sector is rapidly globalizing, making it important for Indian banks to ensure their practices match those of the best banks in the world. The role of banks is more challenging in a developing economy than in a developed economy. The Bank had to face a dramatic cultural change with these challenges. Presently, major task of the banks is to mobilize the savings of the people; create, spread the banking habit, and mobilize the country resources. An equally important function is to effectively utilize its human resource. Studies show that organizational culture has a significant influence on employee performance. The Bank had to face a dramatic cultural change with the challenges thrown by the private sector banks which provided customer-oriented services while most of the staff in SBI was not aware of the fact that the bank was losing its hold amongst the upper end market. This study attempts to look at the culture in State Bank of India and ascertain their prevailing culture and comparing the performance due to it.

Index Terms—Organization culture, Employee satisfaction, Banking Industry.

I. INTRODUCTION

Organizational culture is a wider and deeper concept, something that an organization 'is' rather than what it 'has' (according to Buchanan and Huczynski). It comprises the attitudes, experiences, beliefs and values of an organization. It has been defined as "the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization. Organizational values are beliefs and ideas about what kinds of goals members of an

organization should pursue and ideas about the appropriate kinds or standards of behavior organizational members should use to achieve these goals. From organizational values develop organizational norms, guidelines or expectations that prescribe appropriate kinds of behavior by employees in particular situations and control the behavior of organizational members towards one another". It is widely recognized that different organizations have distinctive cultures. A commonly used definition of organizational culture is 'the way we see and do things around here'. Through tradition, history and structure, organizations build up their own culture. Culture therefore gives an organization a sense of identity - 'who we are', 'what we stand for', 'what we do'. It determines, through the organization's legends, rituals, beliefs, meanings, values, norms and language, the way in which 'things are done around here'. For example, computer technicians will have expertise, language and behaviors gained independently of the organization, but their presence can influence the culture of the organization as a whole.

II. LITERATURE REVIEW

A study by Emerly Charles R, Summers Timothy P.J (1996), this research paper explores the effects of several aspects of organization climate on TQM applications. Researcher have most commonly attribute the failure of TQM programs will be successful if climate is modified and managed to elicit employees commitment and satisfaction consistent with value of TQM. These aspects of climate can be measured through employee perceptions of an organizations, supervision, goals, and objectives, communication, interdepartmental

cooperation, training and development programs, reward system, employee commitment, respect of employees and usage of employee skills.

A study by Aluk M.A.O (2003), this article determines the relationship between culture and performance in textile firms in which a culture gives environment to influence organizational performance and efficacy. The study showed that there was a vital positive relationship between organizational performance and culture, nature of the economy and policy of government, the availability of the public utilities most especially electricity all resources have significant impact on organization performance.

A study by Dyck Cathy Van and Frese Michael (2005), In this article, basically error reflects the negative consequences i.e. loss of time, faulty products as well as positive ones is all about learning, innovation etc. Thus result are consistent emphasized the importance of free-flowing communication, rewarding, the reporting error and a continuous reflexive and interactive learning approach in enhancing the success and safety in high-reliability. The result suggests the organization may want to introduce organizational positive error management as a way to boost firm performance.

A study by Tydskrif SA Vir Bedry Feielkunde (2007), so The aim of the study was to establish the nature of the relationship between organizational culture and financial performance. The result of studies indicate that Culture sets the boundaries by providing employees with a set of standard rules to regulate certain aspect of their behaviour which gives rise to attribute, motivation, communication, leadership style, that contributes to the effectiveness, productivity, efficacy, excellence of organization. The validity and reliability of financial performance of the organization is based on culture traits that were team orientation, customer focus, core values and vision.

A study by Olu Oju (2009), this study aims to look at the impact of corporate culture on employees' job performance with the evidence from Nigerian bank industry. The finding of this study shows that Culture of the organization is "Normative Glue" that holds organization together. Healthy organization culture improves economic performance and organization viability.

III. RESEARCH METHODOLOGY

This research used a review of existing literature. For this research researcher referred five research articles published in reputed journals.

IV. OBJECTIVES OF THE STUDY

1. To study the impact of organization culture on public and private sector banks.
2. To analyse the employee satisfaction in public and private sector banks.
3. To determine the impact of organization culture on employee satisfaction.

V. THEORETICAL FRAMEWORK

The impact of organizational culture on employee satisfaction in the Indian banking sector can be understood through established organizational behaviour theories. Schein's Model of Organizational Culture emphasizes how shared values, norms, and underlying assumptions shape the workplace environment, directly influencing employee attitudes. Hofstede's Cultural Dimensions, particularly power distance and uncertainty avoidance, are relevant in the Indian context, where hierarchical structures and formal communication often define workplace dynamics. Additionally, Herzberg's Two-Factor Theory explains how a positive culture can enhance both motivators (such as recognition and growth) and hygiene factors (such as policies and work conditions), leading to improved employee satisfaction. Together, these theories provide a foundation to explore how cultural practices within Indian banks—both public and private—affect employee morale, engagement, and retention.

Strong/weak cultures -

Strong culture is said to exist where staff respond to stimulus because of their alignment to organizational values.

Conversely, there is weak culture where there is little alignment with organizational values and control must be exercised through extensive procedures and bureaucracy. A number of organizational culture types have been identified by researchers.

- A power culture is one based on the dominance of one or a small number of individuals within an organization. They make the key decisions for the organization. This sort of power culture may exist in a small business or part of a larger business.
- A role culture exists in large hierarchical organizations in which individuals have Clear roles (jobs) to perform which are closely specified. Individuals tend to work closely to their job description, and tend to follow the rules rather than to operate in a creative way.
- In contrast task cultures exist when teams are formed to complete particular tasks. A distinct team culture develops, and because the team is empowered to make decisions, task cultures can be creative.

A person culture is the most individualistic form of culture and exists when individuals are fully allowed to express themselves and make decisions for them. A person culture can only exist in a very loose form of organization e.g. an overseas sales person working on their own for a company, allowed to make their own decisions.

- Culture change involves moving an organization on from one form of culture to another, usually through a culture change program.

Organizational Culture Aspects The impact of culture is very important when it comes to attempting and achieving personal goals and business goals. Organizational cultures are the characteristics that are based on morals, values, traditions and personnel behavior.

Overview of Banking Industry-

Basically, India has 157 banks—26 public sector banks, 43 foreign banks, 64 regional rural banks, 13 old private sector banks, seven new private sector banks and four local area banks. It is thus quite understandable that the Reserve Bank of India (RBI) has been criticized for being unnecessarily parsimonious when it gave just two licenses last week to set up new banks. These two new banks will be a drop in the ocean. They will neither significantly add to banking capacity in India nor will their presence change the competitive dynamics of the banking industry. The massive expansion of Indian banking after 1969, which saw the first wave of bank nationalization, has still left around half the Indian population outside the formal financial system. There

has been a lot of heated debate around the world about too much financial expansion. India is not yet at that stage if one goes by the standard measures of financial deepening. During this period, the nationalized banks operated with a view to give access to as many people as possible to organized banking. Bank policies were directed towards the social objectives of employment generation and employee welfare and, HRD performed merely an administrative and regulatory role. In the last few years, banking as a function, has come full circle. The prime mover for banks today is profit, with clear indications from the government – ‘perform or perish’. This change is a result of the banking reforms. Namely the Narsimham committee recommendations, liberalization and opening up of the economy in nineties and the government’s decision to privatize the banks by reduction in state ownership.

The literature has been reviewed with the objective of gaining some insight on the two variables of this study namely; organization culture and employees’ satisfaction and their inter-relationship in banking industry.

Impact of organization culture on employee’s satisfaction –

A common aspect that connects these definitions is that employee satisfaction is concerned with what people in an organization feel about their overall work. Price (2001) defines employee satisfaction as the effective orientation that an employee has towards his or her work. It may also be recognized as the individual’s perception and evaluation of the overall work environment (Sempane, Rieger & Roodt, 2002). Lu, While and Barriball (2005) define employee satisfaction as a global feeling about one’s work or a related cluster of attitudes about various facets of the work environment. Employee satisfaction may also be perceived as a ‘positive emotional state resulting from the appraisal of one’s job or job experiences’ (Islam & Siengthai, 2009:4). A study conducted by Ellickson and Logsdon (2001) gives emphasis to environmental factors and personal characteristics as the two most influential variables that determine the level of employee satisfaction. Lambert, Edwards and Cacic (2003) also found low employee satisfaction levels amongst employees whose expectations fell short. Ganguly (2010) maintains that the person-environment fit paradigm

has been widely recognized as the most appropriate explanation for employee satisfaction. Additionally, other researchers uphold that employee satisfaction is influenced by the interaction of a family of factors such as recognition, communication, co-workers, fringe benefits, working conditions, the nature of the work itself, the nature of the organization itself, organizational systems, policies and procedures, compensation, personal development, promotion, appreciation, security, and supervision (Ilies, Wilson & Wagner, 2009; Irving & Montes, 2009; Koonmee, Singhapakdi, Virakul & Lee, 2010). For most management scientists, meeting the needs of employees remains the prime employee satisfaction-enhancement strategy (Giannikis & Mihail, 2011). However, contemporary research advances have challenged this view, which attests to the multi-factorial character of employee satisfaction.

In order to improve employee satisfaction, it is important to measure and establish the existing levels first (Wright, Gardner, Moynihan & Allen, 2005). However, due to its multi-faceted nature, the measurement of employee satisfaction varies from one organization to the other. Some organizations use anonymous employee satisfaction surveys which are administered periodically to measure the levels of employee satisfaction (Deshpande, Arekar, Sharma & Somaiya, 2012). In other organizations, meetings are held between management and small groups of employees where the latter are asked questions pertaining to their satisfaction (Ybema, Smulders & Bongers, 2010). However, in other organizations, exit interviews are the primary employee satisfaction measurement tools (Schulz, 2001). The importance of these methods lies in that they elicit satisfaction sentiments from employees themselves (Schneider, Hanges, Smith & Salvaggio, 2003). Employee satisfaction has thus been widely recognized as a predictor of productivity and performance in organizations (Dawal, Taha & Ismail, 2009; Silvestro, 2002).

In Banking Technology (IRDBT), Hyderabad. In the context of the changing economic and business environment, there is a realization that a rigid and hierarchical structure, which gives preference to seniority over performance, is not the best environment for attracting and retaining the best talent or the best output from professionals. Accordingly, there is a critical need to review and

improve strategies for recruitment, placement, career development and performance management. (XIV Human Resource Development & Organization matters – Reserve Bank of India Annual Report 30/08/2002) Most banks are used to functioning in a rigid hierarchical structure. This was the product of a perfect pyramid where the approach was clearly top-down. All the powers of policy and decision making rested with the top echelons of hierarchy with employees at the lower end of hierarchy following orders handed down to them. There was no scope of questioning the decision of authority and whatever was given, was accepted as the final implementation variable.

VI. FINDINGS AND DISCUSSION

The review of existing literature reveals a strong and consistent relationship between organizational culture and employee satisfaction in the Indian banking sector. Studies indicate that banks with a culture emphasizing open communication, employee involvement, fairness, and mutual respect tend to have more satisfied and engaged employees. Organizational culture shapes employees' attitudes, perceptions of job roles, and their level of commitment, thereby directly influencing job satisfaction. In the Indian context, cultural factors such as hierarchical structures, collectivism, and high power distance particularly in public sector banks have a significant impact on how employees experience their work environment. While public sector banks are often associated with job security and structured roles, they are also criticized for bureaucratic inefficiencies and rigid hierarchies that may lower employee satisfaction. On the other hand, private sector banks generally exhibit a performance-oriented and flexible culture, which fosters innovation, personal growth, and recognition key drivers of satisfaction. Additionally, leadership style emerged as a critical element in shaping culture; transformational leadership and participative management styles are associated with more positive work cultures and higher satisfaction. Ethical practices, alignment between personal and organizational values, and effective communication also contribute significantly to enhancing employee morale. Finally, the ongoing digital transformation and modernization of HR practices, particularly in private banks, have introduced cultural shifts that influence

satisfaction positively, although they sometimes lead to increased work pressure. Overall, the findings underscore that a strong, adaptable, and employee-centric organizational culture is essential for improving satisfaction among banking professionals in India.

VII. RECOMMENDATIONS

Based on the findings from the literature, several recommendations can be made to enhance employee satisfaction through organizational culture in the Indian banking sector. Firstly, banks especially public sector banks should focus on creating a more participative and employee-centric culture. This involves encouraging open communication, reducing hierarchical rigidity, and involving employees in decision-making processes. Training managers to adopt transformational leadership styles can significantly improve the work environment, as employees are more likely to thrive in a culture that emphasizes support, development, and recognition. Additionally, banks should invest in regular cultural assessments and feedback mechanisms to ensure that the organizational values align with employee expectations and evolving workplace norms. Promoting transparency, ethical behaviour, and fairness in performance evaluations and rewards can also build trust and increase job satisfaction. With the growing influence of technology, banks must balance performance expectations with employee well-being by implementing stress management programs and flexible work options where possible. Furthermore, targeted efforts should be made to bridge generational and gender gaps in cultural perception through diversity and inclusion initiatives. Overall, Indian banks need to view organizational culture not just as a background element, but as a strategic tool to improve satisfaction, reduce turnover, and enhance long-term performance.

VIII. CONCLUSION

In conclusion, the literature clearly establishes that organizational culture plays a vital role in shaping employee satisfaction in the Indian banking sector. A positive organizational culture—characterized by open communication, ethical leadership, employee involvement, and mutual respect—can significantly

enhance job satisfaction, motivation, and commitment. The studies reviewed reveal notable differences between public and private sector banks, with private banks generally fostering more flexible, performance-driven cultures, while public sector banks are often associated with rigid hierarchies and bureaucratic limitations. Despite these differences, both sectors show that cultural alignment with employee values and expectations leads to greater satisfaction. Leadership style, organizational values, and adaptability to change, especially in the context of digital transformation, are key components of a culture that supports employee well-being. However, challenges such as resistance to change, work pressure, and lack of inclusive practices remain prevalent. Overall, it is evident that strengthening organizational culture is not only crucial for improving employee satisfaction but also for enhancing organizational effectiveness, reducing turnover, and sustaining competitiveness in a rapidly evolving banking environment.

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