

FACTORS AFFECTING EMPLOYEE SATISFACTION IN THE BANKING INDUSTRY: AN EMPIRICAL STUDY IN HO CHI MINH CITY**Nam Nguyen Kim**ncsnam2014@gmail.com

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ABSTRACT

This study identifies factors influencing employee satisfaction at commercial banks in Ho Chi Minh City. Survey data from 184 employees was analyzed using a linear regression model via SPSS software. The results show that the main factors affecting employee satisfaction in banking include opportunities for advancement, which is the strongest influencing factor, followed by working conditions, and finally, salary and compensation policies, which is the third strongest influencing factor. These research findings provide a basis for proposing managerial implications to promote job satisfaction among banking employees, a sector facing increasing competitive pressure.

Keywords:

Satisfaction, banking, employees, influence

INTRODUCTION

In human resource management, researchers are often interested in the psychological state of employees within an organization, especially their satisfaction. Satisfaction can be approached from different angles, such as the satisfaction of external customers, or the satisfaction of internal customers within the organization. Among these, the satisfaction of internal customers is one of the things that both organizational managers and researchers are interested in. Internal customers are the organization's employees, who can drive rapid development for the organization.

Customer satisfaction is a central factor for an organization to maintain customer loyalty and thereby contribute to the organization's success. However, employee satisfaction — that is, the satisfaction of internal customers, namely the staff — is also extremely important. It is the organization's employees who are capable of creating long-term success for the organization. Therefore, the higher the employees' satisfaction with the organization, the more likely they are to remain committed to the organization long-term and, more importantly, to exhibit a stronger sense of responsibility in their work and enhanced work performance, thereby contributing to the organization's success. Conversely, if employees are dissatisfied and become discontented, this will harm the organization's long-term development. For this reason, many studies have attempted to explain which factors influence employee satisfaction and how to promote it.

The banking industry is a service sector, influenced by various factors in the business environment and facing fierce competition. It attracts highly skilled workers. Therefore, how to promote employee satisfaction in this industry remains a crucial topic, especially in the context of a developing country like Vietnam. Many studies worldwide have explored ways to increase employee satisfaction, such as Butt et al. (2007), Hunjra et al. (2011), Lai (2011), and Kian et al. (2014), with a focus on the banking industry, such as Dirani (2009), Kaya et al. (2010), Bhutto et al. (2012), Saleem et al. (2013) and Van Scheers & Botha (2014). However, in Vietnam, although there are some empirical studies to identify factors that promote employee satisfaction, the number remains limited.

To determine which factors can drive employee satisfaction in the banking industry, this study examines whether core factors such as compensation, working conditions, and opportunities for advancement contribute to employee satisfaction in the banking sector, a field requiring highly skilled workers. The results of this study provide important managerial implications, both practical and theoretical, to help banking organizations improve employee satisfaction. To achieve this, the study is structured into sections including: introduction, theoretical framework, research methodology, results and discussion, conclusion, and implications.

THEORETICAL FRAMEWORK

Many different theories are used to explain employee satisfaction. For example, Alderfer's ERG theory, McClelland's needs theory, and especially Herzberg's two-factor theory (Kian et al., 2014). Herzberg (1964)

mentioned factors aimed at reducing employee dissatisfaction and factors aimed at promoting their satisfaction. There have been many studies on employee satisfaction in recent years, such as Koyuncu et al. (2006), Karatepe and Tekinkus (2006), Okpara and Wynn (2008), Dick et al. (2008), Dirani (2009), Kaya et al. (2010), Hayati and Caniago (2012), Bhutto et al. (2012), and Çetin et al. (2012). These studies have analyzed and clarified the determinants of employee satisfaction within organizations.

The concept of job satisfaction is quite complex and has many different approaches Van Scheers & Botha (2014). This concept is understood from many perspectives. In the context of work, satisfaction can be an attitude or an internal state of an employee (Van Scheers & Botha, 2014). Previous studies have also argued that a person may be satisfied with their job in some aspects but dissatisfied in others. And overall, they may have a general level of satisfaction, but that does not necessarily mean they are satisfied in all aspects. Job satisfaction is a cognitive and emotional state of an employee; it is a pleasant emotional state arising from the work. Satisfaction can also come from an employee's perception of what they achieve in their work. Thus, employee satisfaction can include both cognitive and emotional factors regarding what they achieve in their work (Kian et al., 2014).

Job satisfaction is an emotional state arising from workplace experiences. When an employee feels highly satisfied with their job, they will experience pleasant emotions, leading to positive reactions towards the organization. Luthans (1998) emphasizes that employee job satisfaction can stem from various aspects, such as satisfaction with salary, working conditions, or opportunities for advancement. When employees perform their work responsibly and proactively, they often expect to be rewarded with commensurate benefits, leading to a positive attitude towards their work and increased satisfaction. In the banking sector, when an employee performs well, receiving appropriate compensation in the form of salary and bonuses will make them feel more satisfied with their efforts.

Besides salary and bonuses, employees also expect other benefits from performing well, such as opportunities for advancement and promotion to higher levels. Opportunities for advancement are a significant non-monetary motivator that employees desire when they perform well. Previous empirical studies have also shown that working conditions are one of the important factors affecting employee satisfaction. The working environment can change moods or increase positive energy levels, thereby helping employees become happier and more satisfied with their jobs.

In short, when employees receive compensation commensurate with their work, they become more satisfied (Lai, 2011). Similarly, employees are not only interested in tangible external motivators but also in intangible ones such as career advancement mechanisms. This means that when employees perform well, they expect to be rewarded through incentives for career advancement, leading to higher job satisfaction. Finally, employees are not only concerned about salary and opportunities for advancement but also about the work environment and whether the working conditions are favorable. If the working conditions and environment are good, this will lead to greater job satisfaction. The results of many previous empirical studies have also supported this relationship (Hunjra et al., 2011; Butt et al., 2007; Saleem et al., 2013). Therefore, this study proposes the following hypotheses:

Hypothesis H1: Opportunities for advancement positively influence employee satisfaction.

Hypothesis H2: Working conditions positively influence employee satisfaction.

Hypothesis H3: Compensation and benefits positively influence employee satisfaction.

Research Model:

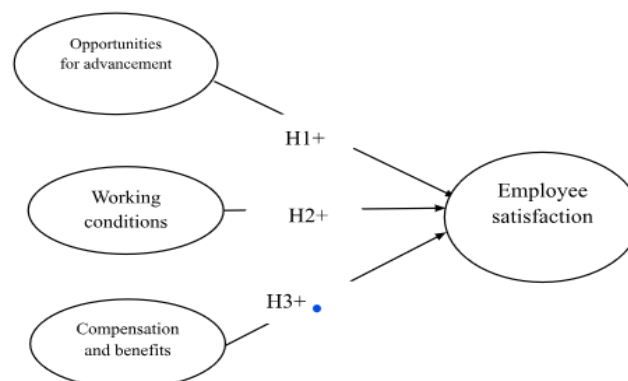


Figure 1: Proposed Research Model

Research Methodology

Data was collected through a survey of employees working in commercial banks in Ho Chi Minh City. The sample size after data screening resulted in a final sample size of 184 employees. In the study sample, 62% were female and 38% were male. The proportion with a university degree was 78% and postgraduate degrees accounted for 22%. Analysis techniques were performed using SPSS software with methods such as scale reliability testing, exploratory factor analysis, and regression analysis. The scales in this research model were taken from previous empirical studies. Specifically, the "Compensation and benefits" scale has 4 observed variables, the "Opportunities for Advancement" scale has 4 observed variables, the "Working Conditions" scale has 4 observed variables, and finally, the "Employee satisfaction" scale has 3 observed variables.

RESEARCH RESULTS AND DISCUSSION

Data analysis revealed that all scales of the latent variables in the study had Cronbach's Alpha values greater than the recommended level of 0.7 (Hair et al., 2014). Exploratory Factor Analysis (EFA) had a KMO coefficient of 0.845 and an extracted variance of 72.926%, indicating that the EFA results were appropriate. After completing EFA, the study proceeded with OLS regression analysis. The regression results showed that the regression model met the required standards. The R2 value was 36.2%.

The results of the hypothesis testing show that all three hypotheses proposed by the study are accepted at a 5% statistical significance level. Specifically, hypothesis H1 suggests a positive relationship between "Opportunities for advancement" and "Employee satisfaction". Hypothesis H1 was accepted at a 5% statistical significance level with a standardized beta coefficient of 0.421. Similarly, hypothesis H2 suggests a positive relationship between "Working Conditions" and "Employee satisfaction", also accepted with a standardized beta coefficient of 0.211 and a 5% significance level. Finally, hypothesis H3 was proposed to be considered, suggesting that "Compensation and benefits" positively influence employee satisfaction. This result also supports hypothesis H3 with a 5% significance level and a standardized beta coefficient of 0.189. The research results in Table 1 show that the reliability and convergent validity of the scales are all appropriate.

Table 1: Results of Factor loadings and Cronbach's alpha

Variable	Coding	Loading Coefficient	α
Working conditions (WC)	WC1	0.843	0.885
	WC2	0.839	
	WC3	0.856	
	WC4	0.805	
Compensation and benefits (CB)	CB1	0.818	0.868
	CB2	0.778	
	CB3	0.848	
	CB4	0.851	
Opportunities for advancement (OA)	OA1	0.822	0.826
	OA2	0.806	
	OA3	0.772	
	OA4	0.709	
Employee satisfaction (ES)	ES1	0.759	0.867
	ES2	0.803	
	ES3	0.868	

Source: Calculations by the author using software.

The results of the OLS linear regression analysis are shown in Table 2. In this table, "Opportunities for advancement" is the strongest influencing factor with the highest beta coefficient (beta = 0.421), followed by "Working conditions" with beta = 0.211, and finally "Compensation and benefits" with the lowest beta coefficient of 0.189.

Table 2: Standardized and unstandardized regression results

Model			Unstandardized Coefficients	Sig.	Standardized Coefficients
ES	<---	OA	0.387	0.000	0.421
ES	<---	WC	0.174	0.001	0.211
ES	<---	CB	0.141	0.003	0.189

Source: Results extracted from SPSS software

The regression analysis results indicate that all three proposed hypotheses were accepted. Figure 2 shows the magnitude of each factor's impact on employee satisfaction with standardized beta coefficients. In summary, the results show that OA is the strongest factor affecting ES, followed by WC, and lastly CB.



Figure 2: OLS regression analysis results.

CONCLUSIONS AND IMPLICATIONS

The objective of this study was to examine the factors influencing employee satisfaction in the banking sector. Using a convenient sampling method through direct surveys of 184 bank employees, the data was analyzed using SPSS software to test the research model and hypotheses. The results showed that all three proposed hypotheses were accepted. Specifically, hypothesis H3 was accepted with a beta of 0.189 at a 5% significance level, meaning that "Compensation and benefits" have a positive impact on employee satisfaction. Similarly, hypothesis H1 was also supported with a beta of 0.421 at a 5% significance level. Hypothesis H1 suggests that "Opportunities for advancement" have a positive influence on employee satisfaction, and this is the strongest influencing factor. Finally, hypothesis H2, suggesting a positive relationship between "Working Conditions" and employee "Employee satisfaction," was also supported with a beta coefficient of 0.211 and a statistical significance level of 5%.

These results highlight the important role of "Compensation and benefits" in promoting employee satisfaction in the banking sector. When employees receive compensation commensurate with their work, they become more satisfied. Receiving a benefit to compensate for employees' effort makes them perceive fair treatment in the organization's work, thereby stimulating their motivation because they experience greater satisfaction. This result is also confirmed in some previous studies. In the context of intense competition in the banking industry, designing an appropriate compensation regime to reward highly qualified employees is extremely important.

However, more important than compensation, employees place higher value on "Opportunities for advancement" which is considered the most important factor in maintaining the human resources of the banking sector in Vietnam. This means that when organizations encourage employees through promotion mechanisms and create opportunities for employees to develop if they perform well, employees will become more satisfied. This result is also supported by previous studies. This suggests that, in addition to existing material factors such as compensation, banking organizations need to design reward mechanisms oriented toward promotion for employees who perform well, helping them become satisfied and thus helping retain talented employees in the organization. This is an important implication for managers in banking organizations seeking ways to retain talent.

Finally, not least, “Working Conditions” is also a factor that promotes employee satisfaction. In the context of fierce competition for high-quality human resources, if organizations create good working conditions, employees feel comfortable and become more satisfied, which helps them engage with their work and commit to the organization more. The important implication here is that establishing a suitable working environment in the context of high-pressure work will improve employees’ perceptions and emotions toward the organization.

In summary, the results of this study provide evidence of the degree of influence on employee satisfaction in the banking sector in Vietnam, in order of influence: “Opportunities for advancement” “Working Conditions,” and “Compensation and benefits” These results provide theoretical implications and, especially, practical implications for managers in banking organizations, helping them have a basis to design remuneration systems, policies, and working conditions that increase satisfaction and retain competent employees in the organization. As Gurková et al. (2013) have noted, once employees are satisfied with their work, they tend to be loyal to their organization, which leads to higher productivity and improved service quality. Therefore, organizations should prioritize measures to enhance employee satisfaction, which is essential for all banks that wish to maintain their competitive advantage.

Nevertheless, the study also has certain limitations that future research needs to address. First, the independent variables selected for the model are still limited; moreover, the survey data based on a cross-sectional design also reduce generalizability and reliability. Therefore, future studies need to overcome these limitations to ensure higher reliability.

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