

International Journal of Advance Research in Computer Science and Management Studies

Research Article / Survey Paper / Case Study

Available online at: www.ijarcsms.com

A Study on Employee Retention Factors in the Indian Banking Industry – An Empirical Study

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Abstract: Human Resource is one of the most valuable assets for any organization and it is the source of achieving competitive advantage. Managing human resources is very challenging as compared to managing technology or capital and for its effective management, organization requires effective HRM system. The retention of human resources has been shown to be momentous to the development and the accomplishment of the organization's goals and objectives. The main determinants for employee retention such as Career Development Opportunities, Superior Support, Work Environment, Rewards, and Work-Life Policies and recognition have a great paradigm to retain the employees for longer period of time. In this paper, an attempt has been made to assess the impact of HRM practices and its effectiveness on employee retention in public and private sectors bank.

Keywords: Retention, Career Development & opportunities, WLP, Recognition, Working Environment, & Rewards.

I. INTRODUCTION

Human Resource is one of the most valuable assets for any organization and it is the source of achieving competitive advantage. Managing human resources is very challenging as compared to managing technology or capital and for its effective management, organization requires effective HRM system. Employees today are different. They are not the ones who don't have good opportunities in hand. As soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. Employee turnover is one of the largest though widely unknown costs an organisation faces. Employee turnover costs companies 30 to 50% of the annual salary of entry-level employees, 150% of middle-level employees, and up to 400% for upper level, specialized employees (Dubey, 2010). It is the responsibility of the employer to retain their best employees. If they don't, they would be left with no good employees. A good employer should know how to attract and retain its employees. An effective human resource management practices namely employee empowerment, training and development, appraisal system and compensation are the main factor for the success of a firm on employee retention. Employees are the backbone of an organisation. Hence, the retention of the employees is an important tool in keeping the organisation on track. In this context organisations need to make strategies to retain the most valuable employees for the longer period of time. Competitive environment of the business has changed not only the business world but also the minds of the individuals. Every organisation is interested to make their organisation fittest from such a competitive environment. Only loyal, skilful, and experience employee can make the business successful and can tackle the tough situation of the business environment. If the organization is not able to retain its valuable employees, it will not be able to capitalize on human assets developed within the organization (Shekshnia, 1994). There are the five determinants such as Career Development Opportunities, Superior Support, Work Environment, Rewards, and Work-Life Policies to study the impact of HRM practices on retention of employees.

II. REVIEW OF LITERATURE

Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. Retention is more important than hiring. There is no dearth of opportunities for talented person. Retention is defined as “an obligation to continue to do business or exchange with a particular company on an ongoing basis”. A more detailed and recent definition for the concept of retention is “customer liking, identification, commitment, trust, readiness to recommend, and repurchase intentions, with the first four being emotional-cognitive retention constructs, and the last two being behavioural intentions” Meaning of Employee Retention can be best understood with the help of the following clause- given by best and powerful personalities having immense industrial background- Bill-Gates, Microsoft says, “Take over 20 best people and virtually overnight we become a mediocre company.” In response, Alfred Sloan of General Motors has gone one step further and said, “Take my assets, leave my people and in five years I will have it all back.” Sony, Chairman, “HR policies at Sony are no secret or a magic.” It is the way they treat their employees. And From Rennis Likert, “off all the tasks of management, managing human component is the central and most important tasks because all else depends on how well it done” Sheikh Azhar Muhammad applied five variables in his study on the impact of HRM practices on retention of employees. He found that there was a good relationship between the employee retention and HRM practices and management should also focuses to improve the HRM practices and their qualities to retain employee in the organisation. According to Zineldin (2000) Retention means “an obligation to continue to do business or exchange with a particular company on an ongoing basis”⁴

American Management Association (2001) justified Employee retention because it is essential for firm performance. If the company is not able to retain its employees, it will not be able to capitalize on human assets developed within the organization. Zachariah and Roopa (2012) in their study entitled “ A study of employee Retention Factors influcing IT professionals of Indian IT companies and Multinational Companies in India” examined the reasons for employees leaving the organisation, staying back factors, their attitude towards work, work relationships. The outcome of the study is expected to help the HR Managers of these organisations in minimising the attrition rate by developing effective retention strategies specific to their organisation. Pabla M.S (2010) in his study entitled on ‘employee retention’ and investigated retention means compensation, organisation environment, growth, and career, importance of relationship in employees, retention programmes and support from management, superiors and colleagues. Jyothi and Venkatesh (2006) in their study on “Human Resource Management” investigated the following aspects while attempting to retain employees: (i) planning ahead, (ii) clarity in job requirements, (iii) identify a good source of recruitment, (iv) screening and interview, (v) provide challenging work, and (vi) focus on compensation and working conditions.

Akila R. (2012) in his study on “Employee retention among executives at BGR Energy systems ltd, Chennai” revealed that the Employees have given highest weighting to comfortableness in working hours and are not satisfied with annual increments provided. Gender has significant relationship with work life balance. Correlation between job satisfaction and working condition leads to employee retention. The departments also have influence on it. The factors that had a greater influence on employee retention were career opportunities, work life balance and recognition at BGR Energy.

Sheikh, Muhammad (2011) in his study, “Impact of HRM prtices on Employee Retention: A case study in education and banking sector in Bahawalpur” examined the impact of HRM practices on career development opportunities, supervisor support, working environment, rewards, and work-life policies and found that working environment, career development opportunities and rewards are more important factors that affect the retention of employees.

Chendrayan. Chendroyaperumal, in his study on “Retention Strategies from 5000 Year-Old Indian Wisdom on Human Resource Management” examined that retention problem is caused by organizational factors, lack of competitive compensation and rewards, inappropriate job design and work, lack of good employee relationships, etc.

Yazinski, 's(2005) study on “Training Effectiveness in Public Sector and Private Sector Commercial Banks A Micro-Level Comparative Study” identified the following for retention in an organizations are Skill recognition, Learning & Working Climate, Job Flexibility, Cost Effectiveness, Training benefits, Career Development, Superior-Subordinate relationship, compensation, Organizational Commitment, Communication, Employee Motivation.

Fitz-enz (1990) in his paper “Getting and keeping good employees” recognized that only one factor is not responsible in management of employee’s retention, but there is several factors influenced in employee’s retention which need to manage congruently i.e. compensation & rewards, job security, training & developments, supervisor support culture, work environment and organization justice etc.

Shoaib M., Noor A, Tirmizi S.R, Bashir S A (2009). in their Study entitled “A study on employee retention among executives at bgr energy systems ltd, Chennai ” highlighted some important factors on employee retention which are career development opportunities, supervision support, working environment, rewards and work life policies on employee retention. The study also reveals the positive relationship of career development opportunities, supervision support, working environment, rewards and work life policies with employee retention.

III. VARIABLES AFFECTING EMPLOYEE RETENTION

Career Development Opportunities

Career opportunities and development is a process of movements an individual makes to achieve his career plan. It consists of activities undertaken by the individual employees and the organisation to meet career aspirations and job requirements. Career development is a system which is organized and planned effort of achieving a balance between the individual career needs and the organization’s workforce requirements. Jiang, Klein & Tang, (2003) in their study examined that Career development opportunities is one of the most important variables as employees are more conscious about their career so they prefer a job where they can get more opportunities to develop their skills. A company that wants to strengthen its bond with its employees must invest in the development of their employees. Miller and Wheeler (1992) found that employees’ intention to stay is significantly affected by the presence of meaningful work and opportunities for promotion. Quarles, (1994) mentioned that Employees who feel that they are contributing to the organization will be more engaged with their job, and thus, will be less likely to leave the organization. Likewise, employees who feel that they have higher chances of promotion are more likely to stay with the organization, rather than leave the organization. Importantly, promotion opportunities not only give the employees a sense of appreciation and gratitude, but also will influence their decision on retention or resignation.

Superior Support

Greenhaus, (1987)’s study advocated that employees are less likely to leave an organization and be more engaged by having good relationship and open communication with the supervisor. Eisenberger and associates (1990), in their study made an assessment such as employee’s view of the organization is strongly influenced by their relationship with their supervisor. Freyermuth, (2007) in his study found that if the supervisor focuses towards the employee’s progress, other than the formal evaluation process; this improves the employee’s retention and commitment towards the organization.

Work Environment

Employees expect a work environment, where they can utilize their abilities and satisfy their basic needs. Work environment is one of the factors that affect employee’s decision to stay with the organization Zeytinoglu & Denton, (2005). in

their study found that Workspace designs have a profound impact on workers and tend to live with job as long as satisfied Brill, Weidemann, Olsen, Keable & BOSTI, (2001).’s study found that An employee loves to work at a place, where he is given a proper environment to work. Shoaib, et al (2009). in their Study entitled “A study on employee retention among executives at bgr energy systems ltd, Chennai ” highlighted that the salary, working environment and the benefits (rewards) are three factors which affect the employee turnover and correlated with each other.. This study also found support for the independent variable with employee turnover. The negative correlation has been found for the salary, benefits and work environment. So organizations need to focus on how to reduce strains in the workplace and salary plans.

Compensation

Compensation is defined as the cumulative financial and non-financial rewards payable to employees in return for their services. It occupies an important place in the life of an employee. Employee’s standard of living, status in the society, motivation, loyalty and productivity depend upon the remuneration he or she receives. For the employee too, employer compensation is significant because of its contribution to the cost of production and services. The financial and non-financial rewards are usually based on the value of job, level of personal contributions, efforts and performance (Milkovich and Newman, 2005). At the organizational level, compensation is critical in attracting, retaining and motivating the employees to continue contributing towards organization’s success (Philips and Fox, 2003). The reason being is that compensation is important to influence individuals’ choice to work with an organization. Many organizations not only use the compensation system to reward and recognize employees’ efforts and contributions, but also as a motivation tool (Chiu, Luk and Tang, 2002) to improve employees’ productivity through improving job performance, impeding the intention to leave and increasing career satisfaction. Compensation systems have traditionally been designed to attract and retain employees and to motivate them to increase their effort and outputs toward the achievement of organizational goals (Bergmann and Scarpello, 2001). Compensation is also considered as one of the most significant costs to operating a business. Most importantly, compensation does not only influence hiring and retention decisions but it is also an important tool to align employees’ interest with organizational goals by designing and providing rewards for meeting specific goals assigned to them. Highhouse et al, (1999) examined that only pay is not sufficient to retain the employees. He found that low pay package will drive workers out the organization but it is not necessary that high pay package bring and keep the workers in the organization. Ultimately, the workers stay in the organization due to others factors i.e. work environment, co-workers behaviour and supervisor support etc. which compel the employee to retain in the organization.

Work Life Policies

Work- life policies means proper balance between work life and personal life of employees. The demands of work such as late hours, frequent travel, quick transfers are both psychologically and socially very costly and detrimental to quality of work life. In today’s competitive environment, the employee willingness to opt for reduced – hours schedules is not simply a matter of scheduling it involves redesigning work arrangements which leads to change in organization culture and careers, viable reduced-hours career options require simultaneous changes in the areas of compensation, assignments and promotions. So it is more cost-effective and productive or management to design the work arrangements to fit the human than it is force the human to fit the system (Barnet & Hall, 2001). Many researchers tested the impact of work and family benefits which comprise of flexible schedules, childcare assistance, parental leave, childcare information and parental leave on organization commitment. Researchers showed that there is greater organizational commitment if employees had access to work life policies and also these employees articulated considerably with lower intent to renounce their profession (Grover and Crooker, 1995).

IV. OBJECTIVES OF THE STUDY

- A. To find out the various variables affecting employee retention in banking sector of Assam.

- B. To measure the impact of various independent variables (major determinants) on employee retention in the banking sector.

V. METHODOLOGY OF THE STUDY

After the literature survey, the variables were considered which were described in the theoretical framework. Employee retention was the dependent variable, which was going to be checked for relationship with career opportunities and development, work life policies, working environment, relationship with supervisor, benefits and compensation, and recognition that were considered as independent variables. This study covers both primary and secondary data. Primary data is collected by distributing questionnaire to the employees of the public and Private sectors banks of Assam and secondary data collected from various journals, articles, websites, dissertation and thesis pertaining to the relevant matter of the subject under study. The primary data was collected from the the employees of four banks viz; ICICI, HDFC, AXIS and Yes Bank of private sectors and SBI, UCO, UBI and PNB bank of Public sectors of Assam. The main focus of the study is to know the determinants of employee retention in these two banks. Purposive sampling method is adopted based on number of employees, experiences, rural, urban, local and outsidess employees working in both categories of banks to carry out study. In this connection out of 12,626 employees 252 are selected covering officers and Non-officers staff. In this study the questionnaire consisting mostly close ended questions with Likert's '5' point scale.

VI. ANALYSIS AND INTERPRETATION

Likert scale technique has been used in order to analyse the impact of HRM practices on the retention of employees. The responses from every respondent for each determinant are scored on a five point scale i.e.; strongly agree, agree, uncertain, disagree and strongly disagree. Higher scores in each determinant indicate the high level of impact on employee retention and lower scores indicates less impact of determinants level of job satisfaction. Career opportunities and development was taken up by asking a question like whether employee can improve his knowledge and skill through serving in the present post. Family life and working life is not strained by working hours was a question for work life policies. Third question for working environment was that working environments are very pleasant in my present bank. Regarding the matter of relationship with supervisor the question was taken up as whether bank listens and pays attention to employees or not. Another question was for employees whether they are getting right salary as per my eligibility to assess impact on benefits and compensation and last variable recognition was measures by asking the question in the way of whether any information about employees progress on job is recognized and shared with him or not. The overall impact of these variable on employee retention finally assessed by putting a question whether you want to be remain in the organisation for longer period of time or not. Table 1 given responses of employees of both banks depicted on main variables of employee's retention found from different review of literature in the area of human resource management.

Table I Responses of Various Employees

Main Variables	Types of Bank	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Career Development Opportunities	PSB	30	40	37	8	53	168
	Pvt.SB	41	22	2	9	10	84
Work-Life-Policies	PSB	34	45	43	26	20	168
	Pvt.SB	10	6	5	28	35	84
Working Environment	PSB	66	57	10	14	21	168
	Pvt.SB	15	12	5	19	33	84
Relationships with Supervisor	PSB	67	45	12	10	34	168
	Pvt.SB	28	22	6	11	17	84
Benefits/ Compensation	PSB	85	34	6	17	26	168
	Pvt.SB	33	22	3	12	14	84

Recognition	PSB	39	23	33	30	43	168
	Pvt.SB	24	17	12	14	17	84

Source: Field work (PSB=Public Sector Banks & Pvt.SB=Private sector Bank.)

Table II Gives all details about the responses of various employees regarding their willingness to retain in the organisation for longer period of time or not

	Types of Bank	Career Development Opportunities		Work-Life-Policies		Working Environment		Relationships with Supervisor		Benefits/Compensation		Recognition	
		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
SD													
	PSB	9	44	5	15	6	15	14	20	6	20	5	38
	PVT.SB	2	8	8	27	18	15	6	11	6	8	5	12
D		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
	PSB	5	3	6	20	5	9	2	8	2	15	4	26
	PVT.SB	7	2	7	21	3	16	4	7	2	10	5	9
U		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
	PSB	8	29	8	35	3	7	2	10	2	4	5	28
	PVT.SB	2	0	3	2	3	2	4	2	2	1	8	4
A		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
	PSB	9	31	5	40	6	51	6	39	3	31	5	18
	PVT.SB	16	6	2	4	4	8	2	20	8	14	7	10
SA		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
	PSB	9	21	7	27	11	55	12	55	21	64	11	28
	PVT.SB	20	21	6	4	6	9	8	20	8	25	21	3

Source: Field work (SD= Strongly Disagree, D= Disagree, U=Uncertain, A= Agree, SA=Strongly Agree)
(PSB=Public Sector Banks & Pvt.SB=Private sector Bank.)

Table-II It has been seen that 47 respondents out of 84 respondents of private sectors bank want to switch over from the job as and when they get better opportunities against the 40 respondents out of 168 of public sectors banks regarding the selected variable of Career Development Opportunities. Whereas 26 and 31 respondents only not satisfied over the taken variable of work life policies for the study in private and public sectors bank respectively. On the other hand 31 which is equal for public and private sectors bank want to leave their job on account of working environment against the 137 and 50 respondents are want to remain in the organisation from public and private sectors bank of Assam. Due to poor relationship with the supervisor 36 respondents ready to sacrifice their job against the 168 respondents of public sectors bank of Assam. Regarding the matter of selected variable of benefits and compensation 58 and 134 respondents of private and public sectors banks want to remain in the organisation, whereas a large portion of respondents i.e 46 from private sector bank want to leave their job since they are not getting due recognition from the present organisation. But it has been seen that 138 out of 168 respondents from public sector bank employees satisfied and they want to be longer period of time with the present organisation.

VII. CONCLUSION

The study reveals that more than 80% from public and 60% private sectors bank employees are satisfied with HRM and Practices followed in the company. Only 20 and 40 percent employees of public and private sectors bank are not satisfied and they want to join new assignment as and when they get better opportunities. The concept of employee retention has been receiving considerable attention from academicians, researchers and practicing HR managers. The approach to employee retention has developed gradually and has undergone focused attention in various periods. Earlier researcher concentrated and found different model and the indirect objectives of these models was to reduce labour turnover which is most costly for the organization. Some of these models are Paternalistic 'Status quo' employer-employee relationship, Focus on providing hygiene factors, Thrust on motivating factors, Improvement in quality of work life, Building organization culture, Retention factors for knowledge workforce. The present findings of the study showed that there was a good relationship between the employee retention and the HRM practices. The factors responsible for leaving employee from the present organization have been ranked

as career development and opportunities, recognition, work environment in the private sectors banks. So, in today's environment the organizations should treat their employees as the most valuable assets and have to take care of them in order to achieve the organisational goals. Organizations have to provide their employees with the best career growth opportunities, working environment, rewards, supervisor support and work-life balance and should work on them. In this way, it will help the employees to put their best in the organisation.

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