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Research Article

Human Resource Management Practices and Employee Retention in Nepalese Commercial Banks: Evidence from the Far-Western Province

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Abstract

Employee retention has become a significant strategic issue in the banking industry as a result of growing competition, employee mobility, and heightened expectations of employees. This study aims to examine the effect of human resource management (HRM) practices on employees' retention in the commercial banks in Nepal in the Far Western Province. The key HRM practices that are focused on in the study include training and development, compensation and benefits, performance appraisal, work environment, organizational culture, and employee empowerment. Using descriptive and explanatory research design, primary data was collected from 180 employees of some selected commercial banks using structured questionnaires. Statistical tools such as descriptive analysis, correlation and multiple regressions were used to analyze the data. The findings reveal that compensation, work environment, and empowerment of the employees have a significant positive effect on the retention of employees, whereas training and performance appraisal have a moderate effect on the retention of employees. The study concludes that good HRM practices are vital for retaining skilled employees in geographically disadvantaged regions such as the Far Western Province. The findings make significant contributions to HR managers and policy makers in designing HR strategies that focus on retention in the Nepalese banks.

Keywords: Human Resource Management Practices, Retaining Employees, Commercial Banks, Far Western Province, Nepal

Introduction

Human resource management (HRM) has emerged as one of the most important functions in contemporary organization particularly in service oriented organization such as bank. In a knowledge-driven economy, employees are regarded as valuable assets with their skills, experience, and commitment having direct impacts on the performance and sustainability of organizations (Armstrong, 2023). Employee retention, which is defined as the capacity of an organization to keep its employees for a longer period of time, has become critical for strategic reasons as a result of increasing employee turnover, skill shortage, and increasing labor mobility in the global environment (Dessler, 2022).

The banking sector in Nepal has undergone tremendous transformation over the last two decades characterized by technological developments, regulatory reforms and increased competition among the commercial banks (Nepal Rastra Bank [NRB], 2024). As the scope of the banks is widening and the services the need for competent and skilled human resources has increased to a great extent. However, Nepalese commercial banks are facing continuous challenges of human resource turnover, particularly of young and skilled workers, who are seeking better career opportunities, reward and work-life balance, both at home and abroad (CESLAM, 2024).

In the Far Western Province of Nepal, a particular shortage of facilities like geographical remoteness of the area and lack of urban infrastructures and opportunities for professional development, when compared to the more central part of Nepal (like in the Kathmandu Valley) makes it particularly difficult for employees to stay in employment (CBS, 2023). Many of the skilled employees posted to this province view their assignment as being on some temporary basis and expend much effort to seek transfer or opportunities outside of this province, resulting in high turnover rates. Such turnover increases the cost of recruitment and training, disrupts the provision of services, and promotes instability of organizations (Shah, 2024).

Human resources management practices are one of an important factor in influencing the attitude, job satisfaction, organizational commitment and intention to stay of the employee (Boxall & Purcell, 2022). HRM practices including fair compensation, continuous training, transparent performance appraisal system, supportive work environments and employee empowerment have been widely recognized to be key determinants of employee retention (Kundu & Lata, 2017). The other important aspect: When employees feel that the HRM practices

are fair and supportive they will be more likely to remain loyal to the organization and make positive contributions to the organizational goals.

Empirical studies in the Nepalese banking sector indicate a strong relationship between HRM practices and employee retention. Shah (2024) found that compensation, organizational culture, and work environment significantly influence retention in commercial banks. Similarly, Pokharel (2023) reported that training opportunities and supervisor support reduce turnover intentions among bank employees. However, most existing studies focus on national-level data or urban-centered banks, leaving a significant research gap regarding province-specific contexts such as the Far Western Province.

Given the increasing emigration of skilled human resources from Nepal and internal migration of skilled professionals to cities, retention of employees in the provincial banks in the country has become a big problem (CESLAM, 2024). Understanding the role of HRM practices in the retention of employees in this particular regional context is critical in developing effective human resource policies. Therefore, the present study is aimed to determine the effect of HRM practices on employee retention in commercial banks based in the Far Western Province of Nepal in order to contribute towards the academic literature as well as practical HR policy formulation

Literature Review

2.1 Human Resource Management Practices

Human resource management (HRM) practices can be defined as those formal systems and policies, designed to attract, develop, motivate, and retain employees, in order to achieve organizational goals. Contemporary HRM theory focuses on a strategic approach where HR practices are integrated with organizational goals in order to improve performance of employees and organization's sustainability. Armstrong (2020) defines the HRM practices as integrated and coherent activities that influence the behavior of employees, attitudes, and competencies. Similarly, Boxall, Purcell, and Wright (2019) contend that effective HRM practices produce source of competitive advantage because of better human capital outcomes. In service-oriented industries like banking, HRM practices are especially important because the quality of services offered is highly dependent on the competence, motivation and commitment of the employees. Banks are regulated, competitive businesses where employees need not only to have technical

skills but interpersonal and problem-solving skills as well. As a result, the effectiveness of HRM practices has a bearing directly on employee satisfaction, productivity and retention.

2.2 Employee Retention

Employee retention means for an organization to hold on to its employees over a period of time and reduce the voluntary turnover. Retention has become one of the major concerns of organizations worldwide due to increased labor mobility, globalization and changing employee expectations. According to Mensah (2022), the factors that affect employee retention are a mix of economic, organizational, and psychological factors such as compensation fairness, career development opportunities, work environment, organizational support. High employee turnover causes tremendous costs to organizations in terms of recruitment and training costs, loss of organizational knowledge, and low service quality. In the banking industry, high turnover of employees can cause disruption in the relationship with the customers and low trust, which is important for providing financial services. Therefore, knowledge on the factors that affect the retention of employees has become a strategic priority of bank management.

2.3 Training and Development and Employee Retention

Training and development is an essential HRM practices that is aimed at developing the skills, knowledge and competences of the employees. Empirical research has proven that employees tend to stay with organizations that invest in their professional development. Training programs help the employees in performing their job better and give them more confidence in tackling complex jobs. Islam, Jantan, and Hamid (2021) found that training and development play an important part in shaping the retention of employees in banking sector through career satisfaction and commitment to the organizational. However, there are some studies that point to the effectiveness of training not being guaranteed if other HRM practices such as compensation and promotion opportunity are not perceived to be adequate. This provides an impression that the training and development should be complimented with other supporting HRM practices to have sustainable retention results.

Compensation and Benefits and Employee Retention

Compensation and benefits are one of the biggest extrinsic motivators for employee retention. Competitive and equitable compensation systems convey organizational recognition

and fairness that boosts the motivation and loyalty of employees. Aguenza and Som, (2018) note that compensation is a key factor in determining the choice of employees to remain or leave an organization. In the banking industry, where the work pressure and performance expectation is high, appealing compensation packages are a significant part of retaining qualified employees. There are studies done in the developing economies that reveal a strong positive relationship with compensation and benefits to employee's retention especially in the situations where the alternative employment opportunities are limited (Khan, Naz, & Rehman, 2020). In Nepalese banks, dissatisfaction with compensation has been found to be a major reason for employee turnover, particularly in the remote areas.

Performance Appraisal and Employee Retention

Performance appraisal is a systematic process of evaluating performance of employee and providing feedback for improvement. Transparent and fair appraisal systems improve the perception of justice and trust in the management by employees. When employees feel that performance evaluations are objective and tied to rewards and career advancement, there is higher commitment to the organization. Khan et al. (2020) report positive effects of effective performance appraisal practices on employee retention, as merit-based recognition. Conversely, the appraisal systems being biased or not clear may lead to dissatisfaction and intentions of leaving the job. Therefore, the design and implementation of performance appraisal systems play an important role in the formation of the employee's retention outcomes.

Work Environment and Organizational Culture

The work environment is the physical and psychological elements of the workplace, which includes safety, workload, social relationships, and support from management and a supportive work environment helps to promote employee well-being, reduce stress levels, and increase job satisfaction. Mensah (2022) says that having a good work environment is an important predictor of employee retention, particularly in high-risk industries such as banking. Organizational culture is the term used to refer to shared values, beliefs, and norms that govern the behavior of employees in an organization. A positive and strong organizational culture helps to build trust, teamwork, and a sense of belonging. Studies suggest that employees are more likely to stay in organizations when they have an inclusive and supportive culture that recognizes that contribution of employees and encourages open communication (Boxall et al., 2019).

Employee Empowerment and Employee Retention

Employee empowerment is the process of giving employees the autonomy, participation in decision-making, and access to relevant information and resources. Empowered employees tend to have higher levels of job satisfaction, commitment and motivation. Research has shown that empowerment increases employee's sense of ownership and psychological attachment to the organization that help in reducing the turnover intentions. Islam et al. (2021) in their study found that empowerment has a significant impact on employee retention in service organizations.

HRM Practices and Employee Retention in Nepalese Commercial Banks

In the context of Nepal, a few empirical studies have reflected on the relation between human resource management (HRM) practices and employee related outcomes, especially in banking sector. Shrestha and Bhandari (2020) concluded that compensation structure, career development opportunity, and performance-based rewards play a significant role in employee satisfaction and intention to stay in Nepalese commercial banks. Their study saw a strong emphasis on the importance of competitive remuneration and transparent promotion systems in retaining skilled banking professionals in an ever-competitive labour market. Similarly, Poudel (2016) highlighted that employee retention is one of the major challenges for organizations in Nepal due to shifts in occupations between jobs because of better pay, career growth, and urban-centric job opportunities.

Acharya et al. (2022) studied non-monetary HRM practices of Nepalese commercial banks and concluded that recognition, flexible working hours, job security, and career development opportunities positively and significantly influence employee motivation, which, in turn, helps to increase retention. Their findings suggest that retention strategies need to rely not only on financial incentives but also be psychological and social in nature. Likewise, Yukongdi and Shrestha (2020) examined determinant factors of turnover intention of bank employees in Nepal and found that affective commitment and job satisfaction, which are mostly influenced by HRM practices such as fair appraisal system, training opportunities and supportive supervision, have a significant impact on the intention to leave the organization among employees.

More recent researches have also highlighted the importance of work environment and empowerment in Nepalese banking sector. Bhatta and Adhikari (2021) reported that a supportive work environment, participative decision-making, and autonomy at work have a positive impact

on employee engagement and retention. These findings suggest that employees are more likely to stay in organizations where they feel that they are valued, respected and empowered. Overall, the current literature documents the significance of HRM practices in employee retention in Nepalese commercial banks, but most of the research has been focused in urban and central regions leaving a gap for exploring the regional aspects of HRM practices.

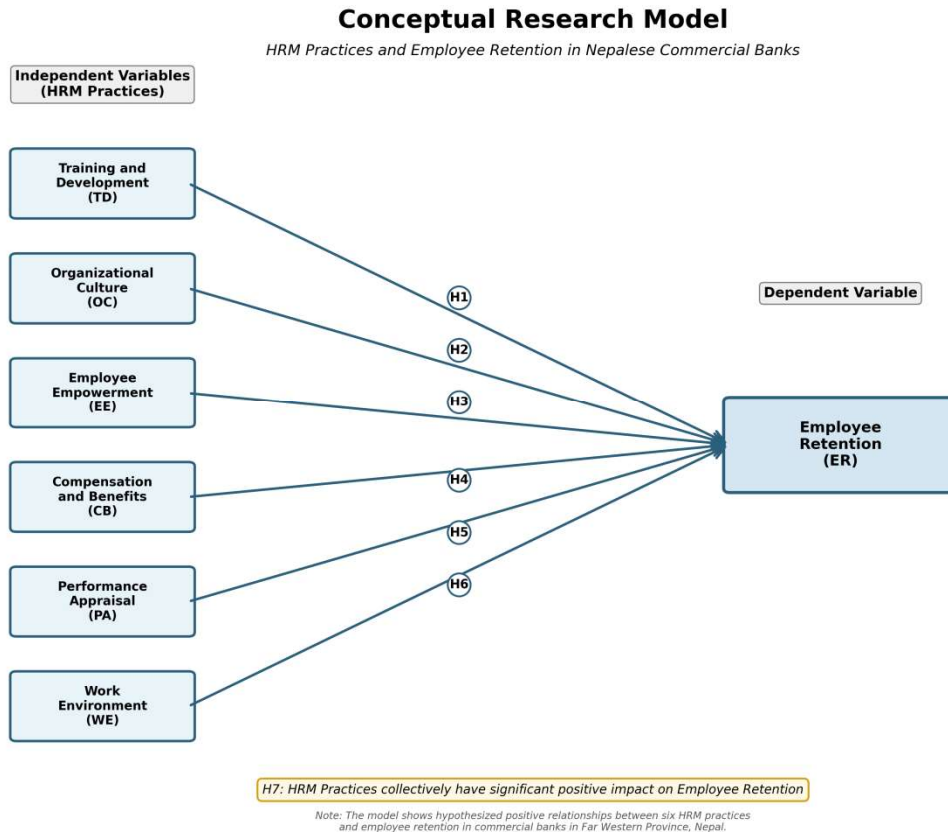
Research Objectives

The main objectives of this study are:

1. To examine the relationship between HRM practices and employee retention in Nepalese commercial banks in the Far Western Province.
2. To identify the most influential HRM practices affecting employee retention.
3. To provide practical recommendations for improving employee retention in provincial banking institutions.

Conceptual Framework

Based on the literature review and theoretical backgrounds discussed above, this study proposes a conceptual framework to study the relationship of human resource management (HRM) practices and employee retention in commercial banks operating in Far Western Province of Nepal. The six key HRM practices identified as independent variables are training and development, organizational culture, empowerment of employees, compensation and benefits, performance appraisal, and working environment. Employee retention is the dependent variable. The framework suggests that these HRM practices have an individual effect on the retention of employees and the sum of these practices has a great impact on employee's intention to remain with their organizations. This conceptual framework is used to guide the empirical investigation and to provide the basis for hypothesis testing through statistical analysis. Figure 1 shows the conceptual fra



mework of the study that indicates the hypothesized link between the independent variables and the dependent variables.

Research Hypotheses

Based on the theoretical framework and empirical evidence reviewed in the literature, this study develops the following hypotheses to examine the relationship between HRM practices and employee retention in Nepalese commercial banks operating in the Far Western Province:

- H1:** There is a positive relationship between training and development and employee retention.
- H2:** There is a positive relationship between organizational culture and employee retention.
- H3:** There is a positive relationship between employee empowerment and employee retention.
- H4:** There is a positive relationship between compensation and benefits and employee retention.
- H5:** There is a positive relationship between performance appraisal and employee retention.
- H6:** There is a positive relationship between work environment and employee retention.
- H7:** HRM practices collectively have a significant positive impact on employee retention in commercial banks.

Research Methodology

This research has adopted quantitative research approach with descriptive and explanatory research designs to investigate the relationship between HRM practices and employee retention in commercial banks functioning in Far Western Province of Nepal. Primary data were collected by using structured questionnaire with the help of 180 employees from 20 commercial banks using convenience sampling technique. The questionnaire, which was pre-tested on 15 employees and validated by the subject matter experts, was made up of three sections: demographic information, HRM practices (training and development, compensation and benefits, performance appraisal, work environment, organizational culture, and employee empowerment), and employee retention. All items were measured on a five-point Likert scale (1=Strongly Disagree to 5=Strongly Agree) and were adapted from validated instruments in previous literature. Out of 210 distributed questionnaires, 186 were returned (response rate of 88.57%) and out of these, 180 were considered as usable for the analysis (85.71% usable response rate) after excluding incomplete responses. Data were analyzed using the software version 26.0 of the statistical package of statistical package and simple (SP) software, in the form of descriptive statistics, Cronbach's alpha as a reliability test (all constructs achieved above the 0.70 threshold), Pearson correlation analysis, and the method of multiple linear regression to analyze the group and individual effect of HRM practices on employee retention. Common method bias was estimated using Harman's single factor test, which revealed that common method variance was not significantly a problem given that the first factor accounted for less than 50% of the total variance. Ethical protocols including informed consent, assurance of confidentiality and voluntary participation were strictly maintained in the research process.

Table 1: List of Nepalese Commercial Banks Selected for the Study and Number of Respondents

S.N.	Name of Commercial Bank	Respondents
1.	Nepal Bank Ltd.	9
2.	Agriculture Development Bank Ltd.	9
3.	Nabil Bank Ltd.	10
4.	Nepal Investment Mega Bank Ltd.	10
5.	Standard Chartered Bank Nepal Ltd.	8
6.	Himalayan Bank Ltd.	9
7.	Nepal SBI Bank Ltd.	8
8.	Everest Bank Ltd	9

9.	Kumari Bank Ltd.	9
10.	Laxmi Sunrise Bank Ltd.	9
11.	Citizens Bank International Ltd.	9
12.	Prime Commercial Bank Ltd.	9
13.	Sanima Bank Ltd.	8
14.	Machhapuchhre Bank Ltd.	8
15.	NIC Asia Bank Ltd.	10
16.	Global IME Bank Ltd.	10
17.	NMB Bank Ltd.	9
18.	Prabhu Bank Ltd.	10
19.	Siddhartha Bank Ltd.	8
20.	Rastriya Banijya Bank Ltd	9
Total number of observations		180

Thus, the study is based on 180 observations.

The collected data were coded, entered, and analyzed using Statistical Package for Social Sciences (SPSS) version 26.0. The following analytical techniques were employed:

1. **Descriptive Statistics:** Mean, standard deviation, frequency, and percentage were calculated to describe respondent demographics and the level of HRM practices and employee retention.
2. **Reliability Analysis:** Cronbach's alpha coefficient was computed to assess the internal consistency of the measurement scales. A minimum threshold of 0.70 was used to confirm reliability (Nunnally & Bernstein, 1994).
3. **Correlation Analysis:** Pearson correlation coefficient was calculated to examine the bivariate relationships between HRM practices and employee retention, as well as intercorrelations among independent variables to check for multicollinearity.
4. **Multiple Regression Analysis:** Multiple linear regressions was performed to examine the collective and individual impact of HRM practices on employee retention.

The regression model is specified as:

$$ER = \beta_0 + \beta_1TD + \beta_2CB + \beta_3PA + \beta_4WE + \beta_5OC + \beta_6EE + \varepsilon$$

Where:

- ER = Employee Retention

- β_0 = Intercept
- $\beta_1 \dots \beta_6$ = Regression coefficients
- TD = Training and Development
- CB = Compensation and Benefits
- PA = Performance Appraisal
- WE = Work Environment
- OC = Organizational Culture
- EE = Employee Empowerment
- ε = Error term

The regression analysis enables the identification of which HRM practices have significant predictive power for employee retention while controlling for other variables.

Organizational Culture (OC) Organizational culture was measured on 5 items based on existing literature. Sample items include "The working atmosphere is generally sociable" and "I routinely get constructive feedback on my performance." These include employee perceptions of workplace values, communication patterns, feedback culture and social environment. Internal consistency of the organizational culture (Cronbach's alpha) was 0.815 which is good internal consistency.

Training and Development (TD) Training and development were measured with 5 items with respect to availability, relevance and frequency of training offered by the bank. Sample items are "The bank monitors my performance regularly analyzing the training needs for professional growth and development" and "The bank provides training and career development opportunities periodically." The construct showed a good reliability with the Cronbach's alpha of 0.785.

Employee Empowerment (EE) Employee empowerment using 5 items that represent the levels of autonomy, participation in decision making and access to resources for employees was measured and where as representative items are "I am given the opportunity to suggest improvements" and "I have access to the information and resources that I need to make good decisions." The Cronbach's alpha for this construct was 0.802 which is an indication of high reliability.

Compensation and Benefits (CB) Compensation and benefits were measured using 5 items assessing employee's perception of salary competitiveness, benefits adequacy, pay equity and reward fairness. Sample items include "The non-monetary benefits that I receive are identical to similar positions in other such banks" and "Compensation is satisfactorily reviewed from time to time." This construct exhibited the highest reliability amongst all the independent variables with Cronbach's alpha of 0.832.

Performance Appraisal (PA) Performance appraisal was assessed based on 5 items related to fairness, effectiveness, transparency and development orientation of performance evaluation system. Sample items include "The bank's effective performance evaluation has helped me improve my performance continuously" and "The current appraisal system is capable of analyzing employee's consistency, excellence and weakness." The reliability coefficient of performance appraisal was 0.770 and it is an acceptable level of reliability.

Work Environment (WE) Work environment was measured by 5 items that measured physical working conditions, interpersonal relationships, resource adequacy, and workplace atmosphere. Representative items are "The employees here are pleasant and co-operative to work with making the workplace more enjoyable" and "There are adequate resources and working space for me to work properly." The Cronbach's alpha values for work environment was 0.780, which is satisfactory reliability.

Results and Analysis

Descriptive Statistics

This section is used to present the descriptive statistics of the variables used in this study. Table 2 presents the mean and SD of employee retention and the six HRM practices variables according to the response of 180 employees of commercial banks in the Far Western Province.

Table 2: Descriptive Statistics

Variables	Mean	Standard Deviation	Minimum	Maximum
Employee Retention (ER)	2.543	0.668	1.00	5.00
Training and Development (TD)	2.612	0.597	1.00	5.00

Organizational Culture (OC)	2.478	0.605	1.00	5.00
Employee Empowerment (EE)	2.505	0.641	1.00	5.00
Compensation and Benefits (CB)	2.685	0.598	1.00	5.00
Performance Appraisal (PA)	2.548	0.553	1.00	5.00
Work Environment (WE)	2.510	0.603	1.00	5.00

Note: $N = 180$. All variables were measured on a 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree).

The descriptive statistics reveal that the mean values of all variables range from 2.478 to 2.685, indicating that respondents generally have moderate perceptions of HRM practices and employee retention in their banks. The mean score for employee retention is 2.543 (SD = 0.668), suggesting that employees have moderate intentions to remain with their organizations. Among the HRM practices, compensation and benefits has the highest mean score (2.685), followed by training and development (2.612), while organizational culture has the lowest mean score (2.478). The standard deviations range from 0.553 to 0.668, indicating relatively consistent responses across the sample.

Correlation Analysis

To examine the relationships between HRM practices and employee retention, Kendall's Tau correlation coefficients were computed. Table 3 presents the correlation matrix along with means and standard deviations.

Table 3: Kendall's Tau Correlation Coefficients Matrix

This table presents Kendall's Tau correlation coefficients between dependent variable and independent variables. The correlation coefficients are based on 180 observations. The dependent variable is ER (Employee Retention). The independent variables are TD (Training and Development), OC (Organizational Culture), EE (Employee Empowerment), CB (Compensation and Benefits), PA (Performance Appraisal), and WE (Work Environment).

Variables	Mean	SD	ER	TD	OC	EE	CB	PA	WE
ER	2.543	0.668	1						
TD	2.612	0.597	0.385**	1					

OC	2.478	0.605	0.382**	0.295**	1				
EE	2.505	0.641	0.391**	0.372**	0.425**	1			
CB	2.685	0.598	0.418**	0.312**	0.338**	0.305**	1		
PA	2.548	0.553	0.322**	0.293**	0.223**	0.338**	0.301**	1	
WE	2.510	0.603	0.425**	0.301**	0.361**	0.283**	0.215**	0.186**	1

Note: The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent levels respectively.

The correlation matrix highlighted in this article gives several important findings. First, training and development is positively correlated to the employee retention ($r = 0.385$, $p < 0.01$). This implies that better training and development programs in the organization leads to increase in the retention of employees. Second, organizational culture is positively correlated to the retention of employees ($r = 0.382$, $p < 0.01$). It implies that better and supportive organizational culture leads to increase in employee retention. Third, there is a positive correlation between empowerment of employees and their retention ($r = 0.391$, $p < 0.01$). It implies that increase in the empowerment of employees leads to increase in the retention of employees. Fourth, compensation and benefits have positive correlation to employee retention ($r = 0.418$, $p < 0.01$), which has the highest correlation among other variables. In this, it implies that attractive and competitive compensation leads to increase in employee retention. Fifth, performance appraisal is positively correlated to employee retention ($r = 0.322$, $p < 0.01$), implying that better and timely performance appraisal in the organizations leads to increase in employee retention. Finally, work environment is positively correlated to employee retention ($r = 0.425$, $p < 0.01$) which shows the second-highest correlation. It indicates that better the working environment, higher would be the employee retention.

Regression Analysis

Having analyzed the Kendall's Tau correlation coefficients matrix, the regression analysis has been carried out and the results are presented in Table 4. More specifically, it presents the regression results of training and development, organizational culture, employee empowerment, compensation and benefits, performance appraisal, and work environment on employee retention in Nepalese commercial banks operating in the Far Western Province.

The results are based on 180 observations using linear regression model. The model is: $ER = \beta_0 + \beta_1TD + \beta_2OC + \beta_3EE + \beta_4CB + \beta_5PA + \beta_6WE + \varepsilon$, where the dependent variable is ER

(Employee Retention). The independent variables are TD (Training and Development), OC (Organizational Culture), EE (Employee Empowerment), CB (Compensation and Benefits), PA (Performance Appraisal), and WE (Work Environment).

Table 4: Estimated Regression Results of HRM Practices on Employee Retention

Model	Intercept	TD	OC	EE	CB	PA	WE	Adj. R ²	SEE	F-value
1	1.062	0.612						0.298	0.56	59.167**
	(5.281)**	(7.692)**								
2	1.055		0.608					0.285	0.565	54.982**
	(4.605)**		(7.415)**							
3	1.187			0.558				0.274	0.569	52.489**
	(6.102)**			(7.245)**						
4	1.368				0.451			0.156	0.614	26.092**
	(5.685)**				(5.108)**					
5	1.182					0.547		0.198	0.598	34.481**
	(4.935)**					(5.872)**				
6	0.965						0.641	0.328	0.548	67.815**
	(4.815)**						(8.235)**			
7	0.418	0.442	0.421					0.408	0.514	47.325**
	(1.825)**	(5.412)**	(5.085)**							
8	0.325	0.415	0.391	0.098				0.41	0.513	32.105**
	(1.305)**	(4.925)**	(4.385)**	-1.125						
9	0.048	0.391	0.336	0.038	0.258			0.438	0.501	27.415**
	-0.185	(4.702)**	(3.782)**	-0.425	(2.895)**					
10	-0.165	0.258	0.261	0.031	0.245	0.335		0.492	0.476	27.215**
	(-0.685)	(2.985)**	(2.975)**	-0.352	(2.825)**	(3.985)**				
11	-0.192	0.205	0.218	0.018	0.201	0.325	0.162	0.502	0.471	23.815**
	(-0.795)	(2.315)**	(2.505)**	-0.205	(2.315)**	(3.895)**	(1.965)*			

Notes: i. Figures in parentheses are t-values. ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent levels respectively. iii. Employee retention is the dependent variable.

The regression results show that the beta coefficients for training and development are positive with employee retention. It indicates that training and development has a positive impact on employee retention. This finding is consistent with the findings of Elsafty and Oraby (2022), Abba (2018), and Hong et al. (2012). In the context of Far Western Province, where professional development opportunities are limited compared to urban centers, banks that invest in

comprehensive training programs can significantly enhance employee retention by addressing skill development needs and career growth aspirations.

Likewise, the beta coefficients for organizational culture are positive with employee retention. It indicates that organizational culture has a positive impact on employee retention. This finding is similar to the findings of Rahaman et al. (2023), Madueke and Emerole (2017), and Habib et al. (2014). A supportive, collaborative, and value-driven organizational culture fosters employee commitment and loyalty, which becomes particularly important in remote regions where culture compensates for geographical and infrastructural limitations. Moreover, the beta coefficients for employee empowerment are positive with employee retention in individual models but become non-significant when combined with other variables (Model 11). This suggests that while empowerment influences retention, its effects may be mediated through other HRM practices or become redundant when comprehensive HR systems are in place. This finding partially supports Ghosh (2013) and Keller et al. (2020). Furthermore, the beta coefficients for compensation and benefits are positive with employee retention. It indicates that compensation and benefits have a positive impact on employee retention. This finding is similar to the findings of Hong et al. (2012), John and Teru (2017), and Imna and Hassan (2015). In the Far Western Province context, where living costs and alternative employment opportunities may differ from central regions, competitive and equitable compensation packages become crucial retention factors. In addition, the beta coefficients for performance appraisal are positive with employee retention. It indicates that performance appraisal has a positive impact on employee retention. This finding is consistent with the findings of Ababneh (2013), Aleem and Bowra (2019), and Hossain and Islam (2023). Notably, in the full model (Model 11), performance appraisal emerges as the strongest predictor ($\beta = 0.325$), highlighting the importance of fair, transparent, and merit-based evaluation systems.

Similarly, the beta coefficients for work environment are positive with employee retention. It indicates that the work environment has a positive impact on employee retention. This finding is similar to the findings of Msengeti and Obwogi (2015), Hanai (2021), and Mokaya et al. (2013). Work environment shows the strongest individual effect (Model 6: Adj. $R^2 = 0.328$), emphasizing its critical importance in geographically remote regions where workplace quality significantly influences retention decisions.

The full model (Model 11) reveals that HRM practices collectively explain 50.2% of the variance in employee retention (Adj. $R^2 = 0.502$, $F = 23.815$, $p < 0.01$), confirming that effective human resource management practices are essential determinants of employee retention. Five out of six HRM practices remain significant in the full model: performance appraisal ($\beta = 0.325$), organizational culture ($\beta = 0.218$), training and development ($\beta = 0.205$), compensation and benefits ($\beta = 0.201$), and work environment ($\beta = 0.162$).

Summary of Findings

The study comes to several key findings. First, there are significant positive relationships between all six HRM practices and employee retention using correlation coefficients that range from 0.322 to 0.425. Second, work environment has been found as the most significant individual predictor due to (Adj. $R^2 = 0.328$), followed by training and development with (Adj. $R^2 = 0.298$) and organizational culture with (Adj. $R^2 = 0.285$). Third, in the comprehensive model taking all the HRM practices into account, performance appraisal is the best predictor ($\beta = 0.325$), followed by organizational culture, training and development, compensation and benefits, and work environment. Fourth, employee empowerment, although important by itself, is non-significant when other HRM practices are included, which suggests mediation or multicollinearity effects. Fifth, collectively, HRM practices account for around 50% of the variance in employee retention, suggesting that they are highly significant even though recognizing there are other factors important in the decision to retain (such as personal circumstances, family obligations or intentions to migrate).

The findings have important implications particularly for the commercial banks operating in the Far Western Province. In view of geographical challenges, banks should put more emphasis on creating more supportive work environments with adequate resources, good atmospheres, and collegial relationship. Transparency and fairness in the performance appraisal system and development oriented performance appraisal systems should be one of the important areas of focus. Maintaining positive organizational cultures, with high levels of trust, team work and clear lines of communication, are important. Providing continuous training and career development opportunities helps to make up for the lack of external professional development opportunities in the region. It is necessary to ensure competitive and equitable compensation packages within the context of regional economic conditions. In addition, banks should have integrated HRM

systems where practices complement and strengthen each other instead of having separate initiatives.

Conclusion

With today's high levels of employment and competitive labor markets, organizations have found that the balance of power is now in favor of the employee and not the employer. Excessive turnover is often a symptom of fundamental problems within the business that make employee retention of critical importance. In the present competitive scenario, with awareness and technology playing a vital role in the development of more vigorous and intense competition, retention becomes one of the biggest problems for the banking industry of Nepal because employees are the ones who generate profits and is considered the capital or asset of the organization.

This study focused on the impact of human resource management practices on the retention of employees in case of commercial banks in Nepal operating in Far Western Province. The six key areas in HRM practices on which the study was focused are training and development, organizational culture, employee empowerment, compensation and benefits, performance appraisal, and work environment. Using quantitative approach of research, employees of 20 commercial banks were selected as the sample and 180 employees were selected as sample size for this research using structured questionnaires. The data was analyzed with the aid of descriptive statistics, Kendall's Tau correlation analysis and multiple regression analysis.

The correlation analysis revealed that all six HRM practices have significant positive relationships with employee retention. The correlation coefficients ranged from 0.322 (performance appraisal) to 0.425 (work environment), indicating that better HRM practices are associated with higher employee retention. The findings demonstrate that compensation and benefits ($r = 0.418$) and work environment ($r = 0.425$) have the strongest bivariate relationships with employee retention, highlighting their critical importance in the retention context.

The regression analysis provided deeper insights into the individual and collective impacts of HRM practices on employee retention. When examined individually, work environment emerged as the most influential predictor, explaining 32.8% of the variance in employee retention ($\text{Adj. } R^2 = 0.328$), followed by training and development (29.8%) and

organizational culture (28.5%). This finding is particularly significant in the context of the Far Western Province, where geographical remoteness, limited infrastructure, and challenging working conditions make workplace quality a paramount concern for employees.

The comprehensive regression model incorporating all six HRM practices explained 50.2% of the variance in employee retention (Adj. $R^2 = 0.502$, $F = 23.815$, $p < 0.01$), confirming that HRM practices collectively have a substantial impact on employee retention. In the full model, performance appraisal emerged as the strongest predictor ($\beta = 0.325$), followed by organizational culture ($\beta = 0.218$), training and development ($\beta = 0.205$), compensation and benefits ($\beta = 0.201$), and work environment ($\beta = 0.162$). Employee empowerment, while showing significant individual effects, became non-significant in the full model, suggesting that its effects may be mediated through other HRM practices or become redundant when comprehensive HR systems are in place.

The study concluded that transparent and open communication between employees and management fosters trust and creates a positive work environment. When employees feel heard and valued, they are more likely to stay loyal to the organization. Better human resource management practices in the organization lead to increases in the level of employee retention. The most dominant factors that determine employee retention in the context of commercial banks in the Far Western Province are work environment, performance appraisal, and organizational culture.

These findings have important theoretical and practical significance. Theoretically, the study extends the HRM-retention literature by providing empirical evidence from a geographically disadvantaged region of Nepal, demonstrating that contextual factors moderate the relative importance of different HRM practices. The finding that work environment has the strongest individual effect in remote regions contributes to contingency theories of HRM, suggesting that regional characteristics influence which HR practices are most critical for retention. Practically, the study provides actionable insights for HR managers and policymakers to design retention-focused strategies tailored to the unique challenges of provincial banking institutions.

Employee retention remains a critical challenge for commercial banks in Nepal, particularly in geographically disadvantaged regions like the Far Western Province. This study demonstrates that human resource management practices play a vital role in addressing this challenge. The findings clearly indicate that banks cannot rely on any single HRM practice but

must implement comprehensive, integrated HR systems that address multiple dimensions of the employment relationship.

In the context of the Far Western Province, where geographical remoteness, limited infrastructure, and fewer professional opportunities create unique retention challenges, banks must pay particular attention to creating supportive work environments, implementing fair performance appraisal systems, and fostering positive organizational cultures. These practices, combined with competitive compensation, continuous training, and employee empowerment, can significantly enhance employee retention and organizational stability.

The banking sector in Nepal is at a critical juncture, facing both opportunities and challenges. As competition intensifies and technology transforms the industry, the need for skilled, committed, and stable human resources becomes even more crucial. Banks that recognize the strategic importance of employee retention and invest in effective HRM practices will be better positioned to succeed in this competitive environment.

For provincial banks specifically, retention is not just an HR issue but a strategic imperative that affects service quality, customer relationships, organizational knowledge preservation, and ultimately, financial performance. By implementing evidence-based retention strategies grounded in effective HRM practices, banks can build sustainable competitive advantages through their human capital.

This study contributes to both academic knowledge and practical management by providing empirical evidence on HRM-retention relationships in an under researched context. The findings offer actionable insights for HR practitioners, bank managers, policymakers, and researchers interested in understanding and addressing employee retention challenges in the Nepalese banking sector and similar contexts elsewhere.

As Nepal continues its journey toward economic development and financial sector modernization, ensuring that provincial regions benefit from skilled banking professionals will be essential for inclusive growth. Effective HRM practices that successfully retain talented employees in regions like the Far Western Province will contribute not only to organizational success but also to broader regional development goals.

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