

# Factors Influencing Employees' Loyalty Evidence from Nepalese Corporations

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## Abstract

*Emerging world has entered into economic globalization and the information era where the business sector is now facing the ever-growing pressure from domestic and overseas competitors. More and more employers start to realize that customer loyalty depends on employee loyalty. They really understand happy loyal committed employees make for happy loyal committed customers who continue to buy the industry's products and services. The aim of this study is to explore the factors influencing the employees' loyalty in the Corporations. This research had been conducted to examine the important factors influencing employees' loyalty towards pay benefits, work environment, organization culture and value and training and development opportunities. This study has used descriptive and analytical research design taking both primary and secondary data. The results show that higher employee loyalty is related to their nature of work, career advancement and recognition, relationship with their supervisors and working environment. Though employee loyalty towards the Corporations is observed positive in the study, the Corporations has unable to build loyalty in terms of employment benefits. The result of this study is useful for effective human resource management in Nepalese context.*

**Keywords:** *Organization, satisfaction, employee loyalty, career recognition, Nepal*

## Introduction

The modern management of an organization should provide a healthy work environment, in order to attract and retain qualified, highly committed, and loyal workforce, because these employees are motivated to perform in the best interest of organizations they work for. Employees are a fundamental resource for any business. They represent a considerable investment in terms of recruiting and training costs as well as salaries and benefits. Business incurs a considerable expense if they need to replace an employee. Many organizations believe that focusing on employee satisfaction with the use of employee satisfaction surveys is a way to improve employee loyalty.

Employee loyalty is important for the organization because employees are a vital resource for the organization, especially since they represent a significant investment in term of locating, recruiting, training let alone salaries, welfare plans, bonuses and rewards etc. Employee loyalty can be defined as employees who are devoted to the success of their organization and believe that being an employee of that organization is in their best interest.

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Employee loyalty can be defined as a psychological attachment or commitment to the organization and develops as a result of increased satisfaction. Satisfaction results from a process of internal evaluation, and if an employee's expectation level is met or exceeded, then satisfaction grows. Satisfied employees show greater loyalty to their organization.

Mehta et al.(2010) defined that loyalty has two dimensions: internal and external. Loyalty is, fundamentally, an emotional attachment. The internal dimension is the emotional component. It includes feelings of caring, of affiliation and of commitment. This is the dimension that must be nurtured and appealed to. The external dimension has to do with the way loyalty manifests itself. This dimension is comprised of the behaviors that display the emotional component and is the part of loyalty that changes the most.

Employees with loyalty towards organization are committed employees with a sense of belongingness towards the organization. Such employees accept the organizational goals and values and have psychological attachment to the organization. These employees identify themselves with the organization and contribute to the organization in return as well. Having employee loyalty means the employee is committed to the future and success of the organization.

Meyer & Allen (1997) has pointed that the concept of loyalty has passed through different evolutionary stage. Organizations today do not equate loyalty with longevity and hold the view that employee who has been with you for months can make a greater contribution than an employee who has been employed by the organization for years. Further they suggested that committed employees are perceived to be those who stay through thick and thin with the organization, attend work regularly, put in a full day, protect company assets and share organizational goals.

Sheridan & Abelson (1983) reviewed job satisfaction as important factor that influence employees to progress in the withdrawal stages or resignation. Job satisfaction of an employee depends on nature of work, supervision, relationship with colleagues, pay and opportunity of career advancement. From the concept of job satisfaction, an individual is satisfied with his job because of motivation. Motivation creates commitment and lead to devotion to his job and organization, which may possibly lead to organizational loyalty.

Frederick (2006) has stated that employee loyalty is critical for organizations as continuously turnover can be very expensive. He specified that one of the most effective ways to improve employee loyalty to make employees feel like they are a significant part of the organization.

Jawahar (2006) found that performance evaluation played a significant role in the relationship between employee satisfaction and employee loyalty in the study. Performance evaluation is an important element of loyalty because it is positively related to organizational commitment and negatively related to turnover intentions. Job satisfaction and organizational commitment fall into a broader definition of loyalty.

Kyle (2007) has pointed out that as an employer, need to understand why the employees are emotionally connected to the business and it's usually much more than salaries, training and benefits. The research has shown that emotionally connected employees are the best employees as they are engaged and productive and they feel authorized and appreciated.

Abdullah (2009) has remarked that organizational loyalty is one of the key elements to measure the compatibility between individuals on one hand and between institutions on the other hand, since if this compatibility increases, the organization achieves a lot of its goals and aspirations. Different level of loyalty results in different behavior of employees. The organizational loyalty is a kind of relative strength in the individual in identifying his involvement into the part of the organization.

Murali, Poddar & Seema (2017) had conducted a study to examine the importance of employee loyalty I organizational performance and hence the feasibility of its subsequent inclusion into performance evaluation. They had found that the significant majority share the opinion of having their loyalty acknowledged and reward. They suggested that organizations should consider age of an employee in the higher senses while making hiring decisions. Organizations also need to note that while female respondents were found to be more loyal to their organizations.

The results of this study are useful for effective human resource management in Nepalese context. Perhaps the results of this study could lead to a greater understanding of employee needs in order to increase the loyalty of employees. It could be helpful for human resources departments or concerned stakeholders on policy development to plan and develop strategies to motivate employee in enhancing work effectiveness and result in a greater loyalty to the organization.

In recent days, there is a trend towards globalization and liberalization. In such an environment, employees are becoming the competitive advantage an organization in the present day market situation which is full of competition, having capable employees and developing employee loyalty becomes increasingly important and a continuing challenge for the organization. Employee loyalty towards organization has gained much attention in today's dynamic business environment. There have few studies have attempted to explore the factors influencing of employee loyalty in the case of Nepalese Service industry. This study aims to examine the factors influencing employees' loyalty in Nepalese organization taking a case study of Nepal Food corporation, which an important Service industry of Nepal. The specific objectives of the study include:

- (i) To study the factors influencing loyalty of employees,
- (ii) To measure the compatibility between the employees in an organization, and
- (iii) To identify ways by which organization can support employee to build loyalty.

## Methodology

The research design adopted in this study consists of descriptive and analytical research design to deal with the various issues responses in this study. The descriptive research design is selected for the study to learn the profile of the respondents, presentation and description of the data collection. Correlation has used to study the relationship among the variables such as employees' loyalty and the factors influencing the employee loyalty. Correlation technique has been used to examine the relationship between the independent and dependent variables. The required data were collected through the questionnaire technique. The questionnaires were administered to the sample size of 32 respondents from Corporations. The respondents were included both full time and part-time, and directly and indirectly involved employees of the Nepal Food Corporation.

Both primary and secondary data were used for the study. To receive in-depth knowledge of factors influencing employees' loyalty various related literatures, research articles, books, study reports, websites are reviewed published by various institutions and personnel working in this field. Questionnaires were used as the instrument to get the first hand data. Purposive sampling method was used for collecting primary data from the sample. It is a non-probability sampling. A questionnaire was the instrument in this study, comprising Likert matrix questions and open-ended question. The Statistical Package for Social Sciences (SPSS) program version 23.0 was applied to analyze the data.

There were some limitations of the adopted research methodology. The sample procedure was purposive sampling so the results obtained couldn't be generalized. This was cross sectional study so the results may vary over time. The validity of the data collection tools has not been used. Independent variables are nature of work, career advancement and recognition, employee benefits, relationship with their supervisors and colleagues and working environment. These variables represented the main influencing factors that affect employee loyalty.

## Result and discussion

The respondents were 66.7% male and 33.3% female (Table 1). The cumulative percent of employee younger than 25 years age is 16.7%, 26 – 30 years age is 33.3%, 31-35 years age is 16.7% whereas over 35 years age is 33.3% (Table 2). The data shows that the Nepal Food Corporation has young – mid aged people for the proper functioning of the work.

**Table 1: Gender**

	<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid Male</i>	22	66.7	67.7	67.7
<i>Female</i>	10	33.3	33.3	100.0
<i>Total</i>	32	100	100.0	

**Table 2: Age**

	<i>Frequency</i>	<i>Percent</i>	<i>Percent</i>	<i>Cumulative Frequency</i>
<i>Younger than 25 yrs</i>	5	15.62	15.62	15.62
<i>26-30</i>	10	31.25	31.25	46.87
<i>31-35</i>	8	25.0	25.0	71.87
<i>Above 35 yrs</i>	9	28.13	28.13	100
<b><i>Total</i></b>	<b>32</b>	<b>100</b>	<b>100</b>	

The Service industry tends to have a balance in the age as well as in the total tenure of employees in the work place (Table 3). 25 percent of the employees have been working for less than 5 years whereas 50% of the employees are working from 6-10 years and 25 percent employees are working over 8 years. The Nepal Food corporation shares a proper working environment where senior employees support and train the junior employees.

**Table 3: Total Tenure in the Organization**

	<i>Frequency</i>	<i>Percent</i>	<i>Percent</i>	<i>Cumulative Percent</i>
<b><i>Valid</i></b> <i>Less than 5 yrs</i>	8	25.0	25.0	25.0
<i>6-10 10 yrs</i>	16	50.0	50.0	75.0
<i>Over 10 yrs.</i>	8	25.0	25.0	100.0
<b><i>Total</i></b>	<b>32</b>	<b>100</b>	<b>100</b>	

Table-4 depicts the central tendency that offers the average of series of data. It shows the average of nature of work is 4.80 that leans towards strongly agree. Most of the employees like their job responsibility and variety of work. They are not bored with their responsibility and like the challenging responsibilities. Likewise, the career advancement and recognition is leaned towards strongly agree which means the employees have the opportunities for their career advancement and they are recognized. Employees can work independently work and attend different training and seminars. Employee benefits show the neutrality of their feelings towards pays and facilities given by the organization.

Employees are neutral with recreational activities, annual bonus and payment according to their responsibility. The respondents agree that they have a good relationship with their supervisors as the average is 3.933. Employees happily expressed their good rapport with the supervisors, the support from seniors for job problems and appreciation for the share ideas. Additionally, the employees show they are strongly agreed that they have pleasant and inclusive working environment as the average is 4.533.

Employees feel comfortable, safe and proud with the working environment. They are pleased with job management and happy with their respective department. Furthermore, the average of employee loyalty is 4.6667 which means towards the strongly agree i.e. the employees are loyal to the organization. The data shows that satisfied employees are contributing on achieving organization objectives. Most of the employees are loyal towards the industry which helps to reduce the turnover ratio.

**Table-4: Descriptive Statistics**

	<i>Mean</i>	<i>Std. Deviation</i>
<i>Nature of Work</i>	4.800	0.400
<i>Career Development &amp; Recognition</i>	4.667	0.516
<i>Employee Benefits</i>	3.500	0.787
<i>Relationship with other Supervisor</i>	3.933	0.350
<i>Working Environment</i>	4.533	0.516
<i>Employee Loyalty</i>	4.667	0.516
<i>Valid No.32</i>		

**Note:** 1=strongly disagree, 2=disagree, 3=neutral,4=agree ,5=strongly agree

Table-5 depicts that shows the correlation of dependent variable employee loyalty and independent variable career advancement and recognition and working environment. There is high degree of positive correlation between employee loyalty and career advancement and recognition. This is significant as p-value is less than 0.01. There is little incentive for employees to leave when they can see the next rung up the ladder they're climbing with you. And when employees stay, with their enhanced knowledge, they become more valuable to the organization. Career advancement is also one of the motivational aspects for employee loyalty. Moreover, the correlation table also shows the high degree of positive correlation between employee loyalty and working environment. Rainbow Service Industry focuses on development of positive, healthy workplace, dedicates resources to the benefits of employees and respect for a healthy work-life balance. It ensures the employees that they have joined the right organization. This is significant as p-value is less than 0.01. Thus, the factors career advancement and recognition and working environment are the major factors for the employee loyalty for the organization of Nepal Food Corporation.

**Table 5: Correlation (N = 32)**

<i>Variables</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
<i>1. Gender</i>	-							
<i>2. Age</i>	-.746							
<i>3.Total tenure in the organization</i>	-.707	.905*	-					
<i>4.Nature of work</i>	.387	-.661	-.548	-				
<i>5.Career development &amp; recognition</i>	.500	-.853*	-.707	.775	-			
<i>6.Employees benefits</i>	.098	-.545	-.696	.432	.689	-		
<i>7.Relationship with other supervisor</i>	.590	-.629	-.834*	.000	.295	.522	-	
<i>8.Working environment</i>	.700	-.874*	-.707	.658	.950**	.531	.369	-
<i>9. Employee loyalty</i>	.500	-.853*	.707	.775	1.000**	.689	.295	.950**

\*p<0.05, \*\*p<0.01

It was found that the respondents agreed that the nature of work encourages them to stay longer with the organization included a preference to work on priorities and challenging jobs and a variety of jobs. The result showed that respondents were satisfied, with the independent variable, career advancement and recognition. Overall career development, and respectfulness, is one of the factors that had affected many employees decision to retain their loyalty towards this Association. The respondents agreed that on the job training, seminar and advanced skill development are to certain extent supported by the organization. The industry has been supportive, problem solving and creates independent working environment.

According to the findings, respondents were moderately satisfied with the employment benefits. This independent variable can be more supportive if the association could focus more on annual holidays and recreational activities. They share the good rapport with the employees and support shared ideas, resolve issues and give more emphasis to job problems.

During the study, it was found that respondents highly appreciated the working environment of the Association. The comfortable and pleased environment has been positive motivation for the employee's loyalty. The respondents agreed those working environments as well as the physical environments, such as work area cleanliness, room temperature, light, noise, are factors affecting their loyalty. All the areas of organizational factor such as warmth and support show a positive relationship with the employees and leads to organizational commitment.

The moderate variables like age, gender, position and tenure of the employees also plays an important role in shaping the loyalty. Various research studies have proved that young people tend to leave the prevailing job for better opportunities in career development. The good position and long years in the industry is considered as a fuel that motivates the employees to perform better. In the case of Nepal Food corporation, young as well as middle age people are working enthusiastically for their as well as industry betterment. Equal effort by Male and Female was observed. The supportive environment for the working female and balance of work life have been motivating the female loyalty. Employee contribution on achieving industry's objectives and industry's contribution to creating comfortable, skillful position, trained employees and supportive environment has complimented by the loyalty.

Most respondents for Nepal Food corporation agreed that the nature of work, career advancement and recognition, relationship with supervisor and colleagues and working environment affected their loyalty to the organization. They had "strongly agree level" with career advancement and recognition and working environment. Few respondents also expressed that the employment benefits aspect also having an effect on their loyalty to the organization. Few respondents suggested that appropriate salary, benefits and special annual bonus will encourage employees to retain their loyalty to the company.

Respondents suggested that industry and their supervisors should assign job responsibilities to their employees that were appropriate with their abilities; making them feel more willing to work, plus have a longer future with the company. Respondents also suggested that the industry should provide variety of advanced skill training or self-learning development

programs for employees. The industry should also focus on hiring the new employees as a few respondents have expressed discomfort with overload of job at times.

## Conclusion and Implications

Employee loyalty is very important to the organization because employees are the vital resources for the organization; basically they represent a significant investment in term of recruiting, training, welfare plans, bonuses and rewards etc. This study finds that employees show higher loyalty when it comes to their nature of work, career advancement and recognition, relationship with their supervisors and working environment. From the analysis, it has been proved that those factors were highly correlated with establishing loyalty towards the Service industry. But, some cases the industry failed to build loyalty in terms of employment benefits. Respondents were expressed neutral feeling towards their remuneration facility, annual bonus, annual holidays and recreational activities. The size of population of this study was very limited to only the employees of Nepal Food Corporation. The findings of this study may be applicable to other similar organizations but not all organizations. Similarly, for further research, other factors, which have an effect on organizational loyalty, such as personality, punctuality, emotional equivalence, social support and others, should be considered to see whether or not there is any relationship between them. Researcher can adopt a mix method of collecting data by multiple methods, such as observation and direct interviewing as a tool, rather than using only questionnaires. This will help to obtain much deeper, fair and factual information from employees.

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