

Employee Retention Strategies Used by Nepalese Banks

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Abstract

Employee retention has been a key factor for the sustainable operation of any organization. Among all the sectors of an economy, banking sector has been one of the sectors with higher employee turnover. This study aims to investigate retention issues in Civil Bank and Mega Bank limited located in Kathmandu valley. The study has collected data from 132 employees (from different levels and different departments working in these commercial banks through 5-point Likert questionnaire and processed with the help of SPSS. The collected data are analyze using descriptive statistics and regression analysis. The study results show that workplace environment, career growth & development opportunity, compensation management and job security have significant impact and association with the employee's retention in Civil Bank and Mega Bank located in Kathmandu. It is recommended that plan for work life balance and better career planning for the employees could increase to establishing the stability of employees working in banking sectors.

Keywords: Banking Sectors, Competitions, Employee Retention, Issues, Nepal, Strategy

1. INTRODUCTION

The origination of the term 'Employee Retention' began during 1970s and early '80s. before the generation of this perception, the status of an employee is just an ordinary worker who works for an employer as per his/her convenience. After 1970s, there was a new revolution regarding the job scenario which substantially created the new phenomenon called employee turnover. (McKeown, 2002). Employee turnover has been a compelling issue for any organization since many years. Organizations have been facing significant challenge regarding employee retention as increased competition in the job market has been observed more than before. Competitive advantage of an organization highly relies on the recruitment of competent employee. In this competitive world, employee retention is as important as hiring new employee. Organizations seek for a competent and talented employee and dedicate its

capital to develop them for forthcoming return aspect. The learning organizations have started propounding policies to retain competent employees due to certain factors such as deficiency of skilled and competent human resources, economic growth, high employee turnover trend and many more. According to Dhas, (2015) employee retention aims to persuade talents to opt to work for the current organization over others. Achievement of organizational goal highly relies on the performance of talented employees. Hence, motivating and retaining those employees is the foremost requirement of the organization. Employee retention reflects the means and plan put forward to retain competent employees through the good behavior by an organization (Gberevbie, 2008). Bartlett & Ghoshal (2013) stressed on the major role of higher-level management and HR team to strategically use the resources and formulate the policy to retain competent employees and exercise competitive advantage.

Training and Development has been proved to an essential means to retain employees (Chen, 2014). The management must plan for the retention strategy and execute the same to retain the competent talent to ensure the sustainable operation of an organization. (Rasli et al., 2014). The trend reflects the means and plan put forward by an organization with their good behavior (Gberevbie, 2008). Organizations have considered investment on employee training and development as a key aspect for the retention of key employees. Organization should maintain its policy regarding the HR retention to expect output from its HR investment (Messmer, 2000). Robbins (2011) suggested that the career development is associated with the individual's perceptions and behaviors towards professional commitment. According to (Karsan, 2007) career development should include promotion and mutation. Promotion includes the upgradation in the professional career which justifies the increment in authority, responsibility, and compensation. Meanwhile, mutation ensures the placement of individual employee to the best position with an aim to enhance productivity and efficiency. According to Ivancevich (2010), Compensation is the function of HRM that ensures the monetary and non-monetary features in exchange of employee's contribution to the organization. Werther and Davis (1996) explained compensation as the value employee receives out of the performance shown and delivered in an organization. Every compensation system should link performance with pay to justify its efficiency. With such system, the rewards are executed as per the performance rather than the time spent in an organization. Mondy (2005), et. al, elaborated continuation of compensation as an overall reward an employee receive with reference to the work performed. McKenna (2006) explains that rewards should be valued with an aim to strategically align organizational activities, compensation and reward and performance of an employee for the attainment of organizational goals.

Every employee seeks job security in an organization. It is an essential factor that boosts morale among employees and retain them in an organization (Ton & Huckman, 2008). An organizational restructuring process which reflects minimizing the number of employees, mergers and acquisitions, shutdowns have impacted numbers of workforce every year. Various economic and other reasons have triggered the reduction in employee count in organizations (Friedrich 1997). Working environment implies the surrounding where

organizational resources are aligned to meet the objective. A favorable and encouraging work environment assures the sense of security for the employees and optimum productivity for the employers. Greenberg (2003) argues on the existence of internal environment and external environment that describes the nature of work culture.

Work-life balance reflects the procedure of balancing personal and professional commitments of employees. A better work life balance assures a healthy and favorable working environment for its employees (Delecta, 2011; Dhas, 2015). Work-life balance reflects the cordial balance between personal and professional life which ensures satisfaction and motivation in employees. Organizations plans on maintaining Work-life balance favorable set of conditions to its employees with a motive of extracting optimum performance from them (Meenakshi et al.,2013).

Employees are important asset for any organization. Success of any organization depends on efficiency of its workforce. Individuals are mainly triggered to by their various needs and wants. Such desires motivate them to perform and use their expertise, energy, and time to align their objective with the strategic objective. Every individual has certain expectation from their job. The lack of fulfillment of the expectation from the current job leads to job switching for better future. This study focuses on identifying issues associated with the retention of the employees in Civil Bank and Mega Bank inside Kathmandu.

2. LITERATURE REVIEW

Retention strategy has been considered as a vital function of HRM in modern management system. The failure of an organization to retain its' competent employees could be an opportunity for its competitors to snatch the talent along with their competitive edge. Employee retention strategy has come up as a key feature of today's HR policy. It is an attempt by the business to propound strategies that ensures the long-term association between employees and the employer. Retention strategy needs to ensure the availability of the key employees who are important aspect of productivity. Frank, Finnegan, & Taylor (2004) explained that employee retention refers to retaining productive employees who are well capable of taking forward the organizational process and accomplish organizational goals. Organizations have started paying highest attention to retaining their employees for the reason of diminishing the recruitment and training and development costs and meanwhile restricting the talented employees getting attracted by the competitors (Sandhya & Kumar, 2011). The outgoing of competent workforce might lead towards decrease in customer perception, decline in proficiency, higher administrative expenses and disruption in day-to-day workflow. This may create a catastrophic scenario for the organizations during its operation (Brandt, Bielitz, & Georgi, 2016; Karsan, 2007; Ton & Huckman, 2008). HR practices should not only focus on hiring competent employees but also providing them with a motivating environment to restrict them from walking out (Kaye & Jordan, 2001). In this modern era, employees look for the opportunity of personal as well as professional growth besides monetary values (Chiboiwa, Samuel, & Chipunza, 2010). Human resources tend to stay in an organization when

they are given an opportunity with the decision-making process. Such association can have a significant amplification with the competitive and fair pay system. (George, 2015). When organizations fail to retain their competent employees, they suffer higher expenses in terms of recruitment process and training and development schedules (Okioga, 2012). Low retention rates result into higher time and capital consumption on hiring and training new employees. Such time and money can be utilized on other employee skill enhancement program (Abbasi, 2000).

3. METHODOLOGY USED

The study mainly focused on the employee retention determinants of Civil bank, Mega Bank operating at Kathmandu. This study has implied descriptive research design to check whether retention factors considered by the banks helps to reduce employee turnover through maximizing employee satisfaction. The entire number of employees serving in both the banks are considered as population size. Here, 132 employees (from different level and different department) from both the banks are considered as sample size. To achieve the objective, primary data are analyzed through five-point Likert scales questionnaire ranged from 1 (strongly agree) to 5 (strongly disagree). The researcher implements SPSS to summarize and analyze the statistics collected from the questionnaires. To analyze the collected data, Descriptive statistics and regression analysis has been implemented.

4. DATA PRESENTATIONS

Profile of Respondents

Table1: Distribution of the respondents according to the experience

Experience	Frequency	Percent
5years	27	20
5-10years	72	55
10yearsabove	33	25
Total	132	100.0

Source: Survey 2021

Table 1 demonstrates 55 percent of the total respondents represent five to ten years of experience. Meanwhile, 25 percent of the respondents having more than ten years of experience. Likewise, rest 20 percent have experience up to five years.

Table 2 Gender based factors for retention of employees

Factors of retention	Mean		Total Mean
	Civil bank	Mega Bank	
Career growth and Development	4.40	4.74	4.57
Compensation	3.92	4.00	3.96

Job security	4.10	4.00	4.05
Workplace Environment	3.2	3.15	3.17

Source: Survey Results

Table 2 shows the factors that retain the employees in the organization with respect to the sample commercial banks. Career growth has the highest mean value of 4.57 that influence the employee to retain in the organization and Workplace environment among the employees receive the lowest mean value amounting 3.17. Employees the banks Civil bank and Mega Bank give the most important to career growth and lowest grading to the cooperation among the employees as the factor for retention in the current organization. Job security got the mean value of 4.05 ranking number two. Similarly, Better Compensation got the total mean value of 3.96, 3.17 for better workplace.

Table3: Regression Analysis

	Beta	Sig.	t-value
Constant	(0.18)	0.41	(0.71)
Career growth and Development	0.15	0.01	4.64
Compensation	0.12	0.01	4.10
Job security	0.13	0.01	3.46
Workplace Environment	0.26	0.00	3.15

Adjusted RSquare=0.475, F-Value=18.57, Sig=0.000

The nexus between dependent variables and independent variables are reflected by Table 3. As per the significant value, Compensation, Job security and Workplace Environment are important in establishing the employee retention strategies at the sample banks. The table 3 shows that the Regression coefficient of employee retention which is 0.26, is highly determined by work life policy of an organization. This reflects that the unit increment of the propensity of work life policy can increase employee retention by 0.26 times. On the other hand, career growth seems to influence the regression coefficient of employee retention highly and it provides opportunities to employee and its development. The value of regression coefficient is 0.15 which indicates that if the organization increases the propensity of support by a unit then the employee retention possibility is increased by 0.15 times.

5. CONCLUSIONS

This paper found that the Nepalese commercial banks are applying the strategies such as Job security, compensation, better work place environment, Career growth along with the productive environment to retain employees. There is a trend of switching the job for the better opportunity in the market. The study also shows that employee switch their job with an expectation to ensure the better future career. Nepalese commercial banks are keen on establishing various employee packages to motivate employees to stay in an organization and enhance productivity. However, the current discouraging environment has made the benefits insufficient for employee retention. Employees look for proper training and development packages for their further improvement. The retention ratio of employee is determined by various variables. The studied variables reflect a positive impact on employee retention tactics. It is foremost job of HR to consider variables like Career development, job analysis, compensation, and other factors while formulating retention strategy in the financial institutes such as Banks. Nepalese commercial banks need to have a proper planning on a sustainable employee career growth. Meanwhile, it must consider the career growth aspect of its employees. The formulations of a solid foundation of an emotional bond among employees and employers need to be established. In addition, it is suggested to impose a proper alignment of career planning and work life needs to be done to enhance the productivity.

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