Impact of employee retention intention on banking success

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Abstract

Employee turnover is a serious problem to the banking sector of Nepal including development bank. Retaining employees in the organization for longer period of time even helps to reduce the cost. So, this study intends to assess the position of employee retention intention and organizational success. This study followed the correlational research design as it intends to evaluate the impact of employee retention intention on development banking sector success. The population of the study was officer level employees working in development banking sector of Nepal and 332 responses were collected and analyzed. Five-point Likert scale questionnaire was used to collect the data. regression models were used to analyze the data. It is found that innovation is not much affected by the retention of the employees but productivity and market growth is highly influenced by the employee retention intention.

Keywords: Retention, organizational success, development banks, market growth, innovation, productivity

JEL codes: E24; J21; J54; J64; M51

Introduction

One major challenge of any organization in today’s globalized and highly competitive industry is employee retention. Human resource is taken into account a key resource and indispensable to the survival of companies; acting as a source of imperishable competitive lead and therefore are the foremost valued asset in any organization (Kalidoss and Vijayalakshmi, 2016). Humans are the active factors who work to bring about certain ends in organizations without which they will not be able to produce any business results. Thus employee retention can be a vital source of competitive advantage for any organization. Most organizations know the importance of human resources in realizing the success of their businesses. A company may possess the strongest edge, in terms of technology, financing, market location etc., however without its strong employees to perform their respective roles and responsibilities, the company would not be able to execute any of its organizational activities (Mobley, 1982 & Taylor, 2002).

Andrew Carnegie, a well-known industrialist of the nineteenth century who is acknowledged for building one of the most powerful and influential companies in the US once commented, “Take away my factories, my plants, my railroads, my ships, my money, strip me of all of these but leave me my key people, and for just a couple of years, I will have all again.” These words underline the huge importance of employee as an asset to organizational success and more specifically human assets as the key determinant for the achievement of organizational goals and objectives. The collective behaviors, skills, and talents of people are what contribute to organizational performance and productivity. The words of Carnegie are true even in today’s era. Globally, organizations are identifying the importance of investing in their employees now more than ever. Organizations understand that to stay on top of the global economy, they require to place more emphasis on developing and retaining their key employees. Thus, companies today are competing for the most effective talent employees, (Fox et al., 2009).

The retention of employees has become a major issue for human resource managers for which organizations are constantly developing retention strategies to increase employee's intention to stay in the organization. Matihimaran & Kumar, (2017) suggested the significance of training and development, recognition/reward for good performance, a competitive remuneration package, and job security are some certain factors which are very crucial in influencing the employees’ decision to either quit or continue in an organization. Organizations can also influence retention of employees through the establishment of an effective
performance appraisal system which will provide equal opportunity for each and every employee in the organization to build their career and growth (Azeez, 2017).

It is imperative that organizations create employee retention practices and adopt them so on increase employee’s performance. As per Rawat, (2013) organizations face lots of problems after they have high turnover due to employees leaving the organization for reasons like job dissatisfaction, poor working conditions, not having honest salary packages, and if there is not any advancement in career among others. High loss of staff refers to the loss of knowledge and competency that results in low performance of the organization.

Unprecedented labor turnover can be seen due to the changing labor market. According to Kumar and Peter (2020), strategic poaching to recruit and retain the key employees from opponents in the business market has become an acceptable practice among employers today. It helps to identify the focused expert workers are necessary to meet the future skill demand in automobile organizations. Similar situation in Nepal can be seen today, according to Gautam (2020), Nepali banks have developed fishing culture poaching best employees from other banks. Such a culture has enhanced the challenge to retain employees. According to an article published on New Business Age (2018), the global employee turnover rate is estimated to be hovering at 10 percent. Though such data is not available in the case of Nepal due to the lack of research, the turnover is thought to be very high. Over the last 15 years, the abroad attraction for jobs among many Nepalese has amplified employee turnover making employee retention even more challenging. There are other reasons also, such as the increasing entrepreneurship spirit among Nepali youths. Over the years, the new generation is equipped with good entrepreneurial skills and they don’t want to stick to a company for long. They come to firms to learn and start their own business. This has resulted in high turnover among lower-level staff than at a higher level in the Nepalese organizations. This, in turn, has affected the organizational activities since the turnover of employees has brought increased workload to existing employees that have caused lower productivity, reduced product and service quality, and failure to meet demands of customers. So, this research is conducted to know how the employees’ intention to be in the organization affects organizational success in the development banks of Nepal.

Literature Review
2.1 Employees Retention Intention
The intention in itself is a psychological antecedent for the particular behavior (Ajzen and Fishbein, 1980), individuals’ intention to remain or quit, perform, or to not perform a behavioral act is often the vital determinant of action. Intention to stay is negatively correlated and is the reverse of turnover (Kim, Price, Mueller, and Watson, 1996) (Steers and Mowday, 1981). Employee turnover delays the organization's work reaching its goals, a profit of the organization, and harming the organization as a whole. Retention intention is defined as employees’ intention to stay within the prevailing employment relationship with their present employer on a long-run basis. Vandenberg and Nelson (1999) outlined employees’ intention to quit as an individual’s predicted probability that they’re permanently departing from their organization soon. Unwelcome, unwanted, and voluntary attrition that firms encounter when valued employees quit accepting another job may be a more significant issue than the incidence of organizational layoffs reported (Mobley, 1982). This perspective is growing considerably because the competition for talent management is leading and consistently growing. People want their supervisor to appreciate their participation. To retain employees in the company, they need to feel a part of the organization. For the matter concerning employees leaving, specific applicable actions have to be taken as organizations endeavor for talent (Mitchell, Holtom, and Lee, 2001). Comprehensive benefits, competitive pays, motivation programs, and similar initiatives are important to be performed to enhance retention within employees (Taylor, 2002). Besides these, Mian (2008) suggests, the choice for employees to remain or leave might depend on the nature of work, whether the work is challenging, whether they gain supervisory support at work and personal development. Thus resources, tools, and therefore the appropriate setting to make sure continued self-development is required. Whereas individual effort is emphasized, career literature has shown a convergence between individual career planning and institutional career management processes. This involves an organized, formalized, planned effort to realize a balance between an individual's career needs and the organization's workforce requirements. The intention of an employee to stay with an organization is highly dependent not solely on the monetary benefit that the organization is providing him additional attention-grabbing work with additional flexibility.
Social exchange theory as a foundation of intention to remain Social Exchange Theory (SET) developed by Thibaut and Kelley (1959), had described the causes why people had personal relationships with others (Thibaut & Kelley, 1959). The idea also specified the acceptable time when the relationships started and ended. Thibaut and Kelley's (1959) theory also emphasizes personal relationships, cost, and benefits. What rewards did people receive from a given relationship, and what prices did they pay to get those rewards? Social Exchange Theory posited that good deeds should be responded (Blau, 1964). Mossholder, Settoon, and Henagan (2005) had pointed to Social Exchange Theory which suggested that people would compensate through effort and loyalty if they who felt they had received benefits from others would later feel an obligation. Effort and loyalty usually can be seen from a sheer commitment to their job and strong intent to remain with the current employer. Employee's loyalty fit within the framework of SET since it focused on citizenship conduct whereby employees stop scanning for a replacement job elsewhere since they felt obligated to stay and repay the organization for the support they'd got (Rhoades & Eisenberger, 2002). SET provides an avenue of a transaction between a sense of obligation that had prompted the sensation responsibility in compensating what had been given by another party which successively help in the motivation of positive psychological responses as suggested by several researchers (e.g. Bunderson, 2001; Coyle-Shapiro & Kessler, 2000). Through these positive psychological responses employees would tend to be more dedicated and faithful to the organization and stop searching for vocation somewhere else (Bunderson, 2001; Coyle-Shapiro & Kessler, 2000). Chalise (2019) states that the commercial banks are able to retain their employees through various facilities and services as provided value more highly work environment, promotions, salary and benefits, opportunity, the training and development program. He also added that employees seek another job with references to form the longer term better career. So, career growth remuneration and job security have to be deliberates to motivate and retain employees in banking industries. Ghimire (2018) also contain a similar view that employee retention requires strategic orientation towards retention factors that cover salary and benefit, career opportunities and work life. He also states that to retain the capable and competent employees a decent management shouldn’t only specialized in salary but equally give emphasis on career opportunities and work life balance. There’s strong effect of employee commitment on intention to remain so organization should give top priority to employee commitment and retention (Bhusal and Pandey, 2019).

Organizational Success
To examine the impact of employee retention it is first necessary to establish the degree to which the organization is perceived to be successful. Managers are still struggling with the issue of measuring performance, and are overwhelmed with performance data. To measure organizational success, its performance is to be measured and there are not any single measures or best measures. Maltz, Shenhar, & Relly, (2003) have identified four major success dimensions (profitability, market, people productivity, and innovation) that can be observed as applicable to different business types, where company can use the measuring framework in different ways and framework.

Productivity
Measuring the efforts of an individual effectively and efficiently to convert input resources to output is termed as productivity (Anjum, Ming, Siddiqi and Rasool, 2018). It searches to boost things that already exist continuously and stressed that one can do better in day after day comparing the previous day, in other words daily become better. Kirikal and Tallinna present that productivity is enumerated as a significant factor in analyzing, monitoring, and supervising the performance in which there is a consensus among scholars that performance management is a very important component in continuous improvement and successful management. The amount of productivity doesn't only depend on the individual’s ability but also on his/her social network and work environment. When Employees who enjoy their work environments are more engaged, more productive, happier, and healthier. Therefore, it makes perfect sense to get a workplace that’s conducive to the well-being of the workforce and organizations should make efforts to supply a higher environment for an employee so that they may feel comfortable and committed to their jobs to increase productivity and intention of employees to stay in the organization for a longer period (Anjum, Ming, Siddiqi, and Rasool, 2018).
Innovation

Creativity is defined as mental ability to generate novel and useful ideas by people or groups of people working together which is critical for an organizations long term survival and competitiveness. (Nair and Gopal, 2010). The ultimate aim of the creative initiative is to enhance the competence of the organization at all levels by clarifying, resolving, and providing superior solutions, (Nair & Gopal, 2011). Unsworth (2003) defines innovation because of the process of engaging in activities designed to supply and implement new ideas, processes, products, and services. This means that creativity precedes innovation. Notably, creativity begins with the release of the imaginative potentials within the human mind. The empirical study by Zhang and Bartol (2010) also showed how psychological empowerment impacts employees intrinsic motivation and its linkage with their creativity.

The flexibility of an organization to nurture creativity and innovation depends on organizational culture. Organization can built. Good leaders can influence followers to generate new ideas and questions the way things are done for innovation (Nair & Gopal, 2011) which can be achieved by leaders showing consideration, empathy and support as per Gong, Huang and farh (2009). Avolio & Bass (2002) also reported the key role of transformational leadership in nurturing an inventive environment through the provision of a learning atmosphere, delegating, and inspiring follower autonomy.

Market Growth

Employee retention plays a significant role in achieving satisfied customers which helps in the expansion of the market share of the organization. Employee attitude and behavior lead the business to attain its competitive strategy (Huang, 2001). To achieve competitive advantage and increase the market share, employees can increase customer satisfaction with the standard service delivered and increase the reputation of the organization in the markets. Singh (2004) surveyed 82 Indian firms to investigate the relationship between HR practices to increase employee retention and market performance and found a positive significant impact on market performance. Khilji and wang (2006) also found a positive relation between implemented HRM, HR satisfaction and organizational performance from the study of Pakistani organization. And from the premise of the evidence form literature, we also believe there is a positive relationship between the systematic adoption of HRM practices and market performance of business organizations.

The Relationship of Employee Retention and Organizational Performance

When an organization loses employees, it loses skills, experience, and "corporate memory". Bratton & Gold (2003) has also mentioned that magnitude of loss of employee has a direct effect in productivity, profitability, and product and service quality. Employee retention is vital in all organizations and so having in place employee retention strategies increases the probabilities of long term employees. Such a strategy enhances the company's profitability as the productivity level will increase due to having satisfied employees creating the intention to stay in an organization. According to Galbreath, (2010), the ability of a firm to be able to retain their employees is a signal of success and shows that there is a positive consequence for the firm's performance and productivity.

A highly skilled and educated labor force increases labor productivity and creates access to global opportunities thus attracting foreign capital. Organizations that have been successful in retaining staff ends up saving costs of training recruits thus utilizing it to employees who have greater potential, skills and knowledge resulting in more productivity and attar foreign capital and competition (Scullion & collings, 2011). Coetzee, (2004) explains that managers should focus on developing talented staff which is of paramount importance to the success of their business objectives. Consequently, managers need to seek out competent employees that will bring synergy in team productivity. Retention of these gifted workers will build teams that can achieve great results since it is a well-appreciated fact that talent is what ultimately drives business success and creates value.
Figure 1: Theoretical Framework

![Theoretical Framework Diagram]

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent variable</th>
</tr>
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<tbody>
<tr>
<td>Employees Retention Intention</td>
<td>Organizational Success</td>
</tr>
<tr>
<td></td>
<td>• Productivity</td>
</tr>
<tr>
<td></td>
<td>• Innovation</td>
</tr>
<tr>
<td></td>
<td>• Market Growth</td>
</tr>
</tbody>
</table>

Table 1: Summary of literature

<table>
<thead>
<tr>
<th>Author</th>
<th>Research</th>
<th>Published</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chalise</td>
<td>Employee Retention in Nepalese Commercial Bank</td>
<td>2019</td>
<td>• The commercial banks are able to retain their employees through various facilities such as better work environment, promotions, salary and benefits, opportunity, trainings and development programs.</td>
</tr>
<tr>
<td>Bhusal and Pandey</td>
<td>Employee commitment and employee stay intention: Mediating Role of organization</td>
<td>2019</td>
<td>• There is strong effect of employee commitment on intention to stay. • There is no strong effect of organizational citizenship behavior with intention to stay.</td>
</tr>
<tr>
<td>Ghimire</td>
<td>Employee Retention factors in Nepali Insurance Companies</td>
<td>2072</td>
<td>• Employee retention requires factors that covers salary and benefits, career opportunities and work life balance.</td>
</tr>
</tbody>
</table>
Methodology
This study has followed the correlational research design so as to examine the impact of employee retention intention to organizational success explain by productivity, innovation and market expansion. Population of the study is the employees working in the Development banks operating within Nepal. Sample size is 332. Size of the sample were decided based on the previous studies in the similar issues. Sampling was purposive because the officer level employees who can answer on this issues were selected. Data were collected using five-point Likert scale questionnaire. Questionnaire were administered electronically. The regression models were used to analyze the data and examine the impact of employee intention to retention on organizational success.

Analysis and Results

Level of employee retention intention and organizational success factors in Nepalese development banks

The study tried to assess the level of retention intention and organizational success of the employees working in the development banks. The mean and standard deviation has been used to assess the level of employee retention intention and organizational success. The following table shows the position:

Table 2: Level of employee retention intention and organizational success factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productivity</td>
<td>3.50</td>
<td>0.1385</td>
</tr>
<tr>
<td>Innovation</td>
<td>2.54</td>
<td>0.1517</td>
</tr>
<tr>
<td>Market growth</td>
<td>4.55</td>
<td>0.4771</td>
</tr>
<tr>
<td>Employee retention intention</td>
<td>2.44</td>
<td>0.3351</td>
</tr>
<tr>
<td>Overall mean value of organizational success</td>
<td>4.11</td>
<td></td>
</tr>
</tbody>
</table>

Table 2 Shows that the market growth of development bank is rapid and high and productivity i.e income generation in the ratio of number of employees is also good but the innovation is poor. It means development banks are also doing the similar traditional activities as other commercial and finance companies are doing. Employee retention intention is poor. It means the employees of the development banks in Nepal wants to change their job. It may be because of career development opportunities. Similarly the overall organizational success is high.

Impact of employee retention intention on organizational success.

Table 3: Impact of employee retention intention on organizational success

<table>
<thead>
<tr>
<th>Factors</th>
<th>Turnover intention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee retention intention</td>
<td>.220 (.022)</td>
</tr>
<tr>
<td>Productivity</td>
<td>.050 (.000)</td>
</tr>
<tr>
<td>Innovation</td>
<td>.099 (.072)</td>
</tr>
<tr>
<td>Market growth</td>
<td>.380 (.000)</td>
</tr>
<tr>
<td>Overall organizational success</td>
<td>.443 (.000)</td>
</tr>
</tbody>
</table>
Table 3 shows that the employee retention intention insignificantly affects the innovation. It means retaining employees for longer period of time does not guarantee the innovation in the organization ($\beta= .072$ and p-value=.099). But employee retention in the organization for the longer period of time significantly helps to increase the market and productivity of the organization ($\beta= .380$ and p-value=.000 and $\beta= .050$ and p-value=.000 respectively). Overall organizational success is significantly affected by the retention of the employees ($\beta= .443$ and p-value=.000). It means frequent change in the employees creates the hurdles in familiarizing employees with the organizational culture that hampers to the productivity and new employees remains unfamiliar with market that lead to the problem for extending market.

**Discussion**
The study found that innovation is not guaranteed with the employee retention intention in the organization. It may be so because innovation requires learning and sharing environment and more elite employees are required rather than the employees retained for longer period of time. This finding is consistent with Harzberg’s two factors theory. As it suggests that environment is more important to motivate the employees for the existing and new jobs. This finding is also consistent with the studies of Ahmad Aldamoe, F. M., Yazam, M., & Ahmad, (2012) and Azeez, (2017). Similarly the study found that productivity and market growth is affected by the employees’ retention intention. It may be so because for the market growth familiarity with the market culture is required and for productivity employees should be motivated and should be familiar with the business process and organizational systems. These findings are consistent with the Hofstede’s cultural theory and studies made by the previous researchers (Chaminade, 2007 and Ejiofor, and Mbachu, 2001).

**Conclusion and Implications**
The study found that the employee retention intention helps to increase the market growth and productivity substantially but the innovation is leveraged positively but not high. In overall it is found that employees retention intention support to the overall success of the organizations. It can be concluded that if the motivational tools are used by the development banks in Nepal they will be able to increase sense of living in the same bank for the longer period of time then the possibility of success of development bank remains high. Thus, Development banks working within Nepal should invest in the motivation of employees so that they can create retention intention that may lead to market growth and increase productivity and overall success of the banks.

This study is useful to the development banks to formulate HR policies so as to retain employees in the banks. As the turnover is the major problem of development banking sector of Nepal. So, this study may help to reduce turnover problem of development bank. This study has considered to three domains of organizational success but more variables as suggested by Guest (1997) and Pfeffer (1998) can be considered for more robust study. Similarly this study covers only to development bank of Nepal but the similar study can be conducted in either commercial bank, finance companies or in overall financial sector of Nepal.

**References**


Hascal, R Hopkins, Hollman, M (1995). *In this Era of Shrinking Budgets, is organization Redesign and adapting a Quality Culture worth the pain* Presentation at PPA Education leadership forum.


