



**FACTORS AFFECTING ON EMPLOYEES RETENTION IN BANKING SECTOR
WITH SPECIAL REFERENCE TO THANJAVUR DISTRICT**

*Mrs. S. Anitha,
Ph.D- Research Scholar,
Department of Business Administration,
Rajah Serfoji Govt. College (Autonomous),
Thanjavur - 05.
anithamoorthy84@gmail.com*

*Dr. V. Nagajothi
Head & Asst. Professor,
Department of Business Administration,
Rajah Serfoji Govt. College (Autonomous),
Thanjavur - 05*

Abstract

Human Resource is one of the most valuable assets for any organization and it is the source of achieve competitive advantage. Management of human resources is considered as challenging as compared to other functional areas of management as HRM requires effective way of handling of resources. The retention of human resources has been shown to be momentous to the development and the accomplishment of the organization's goals and objectives. The main determinants for employee retention such as Training, Motivation and Development have a great paradigm to retain the employees for longer period of time. In this paper, an attempt has been made to assess the impact of HRM practices and its effectiveness on employee retention in public and private sectors bank.

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

I. INTRODUCTION

Turnover is a big problem for many organizations. It is a misperception that all turnovers is bad and must be avoided. But actually if an organization does not have a balanced level of turnover, it will result in monotonous system and that organization will not have access to new ideas, change dynamism and creativity. Turn over influences profitability and customer satisfaction. Our concern is that the required turnover must exist but the unwanted voluntary turnover should be reduced or avoided.

In today's competitive environment employees leave their organization for various reasons. The organizations are trying to retain the best employees. The Importance of HR and their retention



is established. Initially because resources are scarce and secondly because the competition by businesses to have the best and most talented employees for their organization and finally because Turnover also destroys the customer confidence in the bank.

The author said that "In the competitive environment, the retention of skilled employees is very difficult". Top management & HR department put in an extensive time, financial resources and effort in order to find out the way to retain their employees and gain competitive advantage. Training efforts are also used to retain employees. That is why it is critical to understand what employee retention is? It is a planned and organized effort. Which should result in catering the diverse needs of employees so that they remain employed in the organization. For the sake of our discussion we are going to define retention as a continuous and planned effort of taking all actions by the organization to retain the knowledgeable, skilled and competent employees selected. It involves taking actions that motivate and tempt employees to stay with the organization for the maximum period of time. It is a planned and organized effort. Nausheen Shakeel, Sahar butt explain his article "*Which should result in catering the diverse needs of employees so that they remain employed in the organization*". For the sake of our discussion we are going to define retention as a continuous and planned effort of taking all actions by the organization to retain the knowledgeable, skilled and competent employees selected. Also what will happen when the contract or the legal agreement expires?

"So he clear this article to retain the employees because they want to stay not because they are forced to stay". But what are the factors that make them "Want to Stay", what factors can cause retention. Our concern is that employees' perspective is more important.

II. DEFINITION AND IMPORTANCE OF EMPLOYEE RETENTION

Employee Retention refers to the techniques employed by the management to help the employees stay with the organization for a longer period of time. Employee retention strategies go a long way in motivating the employees so that they stick to the organization for the maximum time and contribute effectively. Sincere efforts must be taken to ensure growth and learning for the employees in their current assignments and for them to enjoy their work.

Employee retention has become a major concern for corporate in the current scenario. Individuals once being trained have a tendency to move to other organizations for better prospects. Lucrative salary, comfortable timings, better ambience, growth prospects are some of the factors which prompt an employee to look for a change. Whenever a talented employee expresses his willingness to move on, it is the responsibility of the management and the human resource team to intervene immediately and find out the exact reasons leading to the decision. Cascio (2003; cited in Mahal, 2012, p. 38), defined it "as initiatives taken by management to keep employees from leaving the organization, such as rewarding employees for performing their jobs effectively, ensuring harmonious working relations between employees and managers, and maintaining a safe, healthy work environment."The importance of employee retention is well-documented in the literature, particularly in terms of turnover-related costs.



III. REVIEW OF LITERATURE

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

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



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

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

IV. OBJECTIVE OF THE STUDY

The objective of the study is to identify the important and main factors that are affecting employee retention in the bank with particular reference to Thanjavur, Tamilnadu.

The sub-objectives of the study are:

- To determine the indicators/factors that increase employees’ retention.
- To observe the relationship among Employees’ Training, Employees’ Motivation and Employees’ Development with employees’ retention.

V. STATEMENT OF THE PROBLEM

To study the Indicators / Factors affecting on employee Retention in banking sector a research question is developed:

“What are the main indicators/factors that affect on employee retention?”

VI. RETENTION OF EMPLOYEES

Many organizations are now recognizes the bottom-line effect on retaining quality employees. When the employees feel satisfaction in job, they don’t think about the leaving current job. Retaining quality performers (employees) quite simply adds to increase productivity and morale, while dropping the associated and related costs of turnover.

VII. TRAINING

Learning process is called education and training that connect the acquirement of new knowledge, perfection in working skills, concepts, or changing of attitudes as well as behaviors to boost the working style and performance of each and every one employee. Companies spends some money on training, will achieve many more advantages. Training about knows the current situation where we place at present, and where we will be later on some point of time. For retaining employee, training could be an important tool; however it can be observed that the impact of training on reward of an employee could be very critical for retention. In the



period of development, as the technology modifies day by day, training becomes the essential for every business to remain and contribute in the international market. Businesses cannot depend on or upon only on old and conservative specialism, but to struggle in the future, they must build up their employee skills and abilities, as it is a century of not only quality as well as productivity.

Training of Staff is an obligatory strategy to motivate employees. Every good organization must have high-quality training plan. This training program provide information and professional opportunities to trainers for improving and developing themselves, which is necessary to meet the current and upcoming challenges and requirements of job with latest office equipment, methods of business and new technique for performing in the job.

VIII. EMPLOYEE DEVELOPMENT

Employee development is a mutual and jointly efforts by an employee and organization through which an employee's skills, knowledge and abilities can be promoted. The balance between an employees' career need and organization's need is the successful development in the organization. A positive contribution in the performance of an organization is raised by the employee development. In fact, well skilled employees may achieve the targets within time that expand their experience and knowledge. In the interest and devotion of the organizations, the motivated employee perform well and best which leads them towards personal growth and as well as productivity and prosperity to the company.

IX. EMPLOYEE MOTIVATION

Motivation can classify as a process that support, initiate, help, guides and maintains people for goal-oriented behaviors. Motivation comes out from a Latin word *movere*, which means to carry or to move. Motivation is the power and energy that constantly induce and persuade to move and perform through an employee. "It involves many things and effects, such as biological, emotional, societal and cognitive forces, which activate behavior of an employee". In everyday usage, this term motivation is frequently used to express why an employee does something.

Highlighted that a reward is required to be given to an employee when the job is completed. The importance of reward is highlighted well and employee performance is enhanced through motivation. High productivity and efficiency totally depend on the some level of motivation and effectiveness of the performance of employees whether how much they adopted the automation and computerization. Employees' training is a requisite approach and strategy for motivating workers. It is stated that for the continuous learning and improvement in the employment, motivation is a vital factor in the development of the employees' career. A motivated employee is a creative and productive for the organization. They take pleasure in their duties, enhance their valuable experience, whereas unmotivated employee is a burden, and go under in highest level of stress.



X. RELIABILITY AND VALIDITY OF DATA

As the Cronbach's alpha of seven parameters (Employee retention through training, development and motivation reveal .650 and more than .650 as alpha. So, it is confirmed that the data are highly reliable and valid for analysis. The following table shows that, the Cronbach's alpha value for every dimension of Factors affecting on Employees Retention.

Reliability Statistics		
Variable	Cronbachs Alpha	N of Items
Retention	.849	4
Training	.991	5
Motivation	.989	6
Development	.987	4

XI. STRUCTURAL EQUATION MODEL (SEM) ON FACTORS AFFECTING ON EMPLOYEES RETENTION:

INTRODUCTION OF SEM

Structural equation modeling is a multivariate statistical analysis technique that is used to analyze structural relationships. In including the confirmatory factor analysis, path analysis, partial least squares path modeling and latent growth modeling. Use of SEM is commonly justified in the social sciences because of its ability to impute relationships between unobserved constructs (latent variables) from observable variables." In this analysis, two types of variables are used endogenous variables and exogenous variables. Endogenous variables are equivalent to dependent variables and are equal to the independent variable"

The variables used in the structural equation model are

- 1. Observed, endogenous variables**
 - RETENTION
 - MOTIVATION
- 2. Observed, exogenous variables**
 - TRAINING
 - DEVELOPMENT
- 3. Unobserved, exogenous variables**
 - e1: ERROR TERMS FOR RETENTION
 - e2: ERROR TERMS FOR MOTIVATION

Hence number of variables in the SEM is

Number of variables in your model:	6
Number of observed variables:	4
Number of unobserved variables:	2
Number of exogenous variables:	4



Number of endogenous variables: 2

Figure No-1

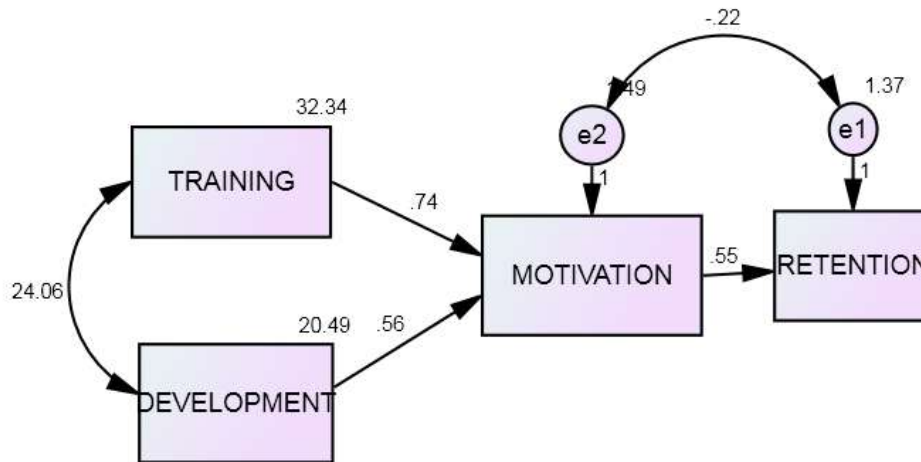


Table No-1
Variables in the Structural Equation Model Analysis

Variables		Unstandardized coefficient	S.E.	Standardized Coefficient	t value	P value
MOTIVATION	<--- TRAINING	.745	.038	0.620	19.849	<0.001**
MOTIVATION	<--- DEVELOPMENT	.564	.047	0.381	11.966	<0.001**
RETENTION	<--- MOTIVATION	.547	.011	0.962	49.771	<0.001**

Note: ** denotes significant at 1% level

Here the coefficient of **Training** is 0.745 represents the partial effect of Motivation, holding the other variables as constant. The estimated positive sign implies that such effect is positive that Motivation would increase by 0.745 for every unit increase in Training and this coefficient value is significant at 1% level.

Here the coefficient of **Development** is 0.564 represents the partial effect of Motivation, holding the other variables as constant. The estimated positive sign implies that such effect is positive that Motivation would increase by 0.564 for every unit increase in Development and this coefficient value is significant at 1% level.

Here the coefficient of **Motivation** is 0.547 represents the partial effect of Retention, holding the other variables as constant. The estimated positive sign implies that such effect is positive that Retention would increase by 0.547 for every unit increase in Motivation and this coefficient value is significant at 1% level.



Table No-2
Model fit summary of Structural Equation Model

Indices	Value	Suggested value
Chi-square value	1.880	-
P value	0.170	> 0.05 (Hair et al.,1998)
GFI	0.996	> 0.90 (Hu and Bentler,1999)
AGFI	0.963	> 0.90 (Hair et al., 2006)
CFI	1.000	> 0.90 (Daire et al., 2008)
RMR	0.038	<0.08 (Hair et al., 2006)
RMSEA	0.059	<0.08 (Hair et al., 2006)

From the above table it is found that the calculated P value is 0.170 which is greater than 0.05 which indicates perfectly fit. Here GFI (Goodness of Fit Index) value and AGFI (Adjusted Goodness of Fit Index) value is greater than 0.9 which represent it is a good fit. The calculated CFI (Comparative Fit Index) value is 1.000 which means that it is a perfectly fit and also it is found that RMR (Root Mean Square Residuals) is 0.038 and RMSEA (Root Mean Square Error of Approximation) value is 0.059 which is less than 0.08 which indicated it is perfectly fit.

XII. CONCLUSION

This study shows that there is a strong relationship between Employees motivation and Employees retention among staff of banking sector in Thanjavur District, whereas employees training and employees development has weak relationship with employees retention. Both variables are not predicting the retention of an employee in the banking sector. There is a possible chance that some other factors can force to establish significance relationship with retention. The motivation factor is contributing a lot in the retention of bank employee for a longer period but only this factor cannot do everything and banks have to put more efforts in training and development, Tamil Nadu. The results reveal that people get training from current bank and switch as soon as they get better opportunity from any other bank. Due to this reason, banks are facing too much trouble of immediate vacant position as well as their hiring cost is increasing day by day. It is suggested that banks should mold their policies regarding employees' training and development, which will help banks to retain their employees for longer time.

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