

INFLUENCE OF HUMAN RESOURCE MANAGEMENT PRACTICES ON EMPLOYEE RETENTION: A STUDY IN BANKS

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Abstract:

Employees are the backbone of an organization. Hence, the retention of the employees is an important tool in keeping an organization on track. Banking sector of India is characterized by a high competition and is fully technology-based which create a severe problem to survive in the market place. Human resource management of banking sectors could play a pivotal role for overall growth of the Banking Sectors. The purpose of this research paper is to find out the impact of Training on Employee Retention, considering Human Resource management Practices (Compensation and Career Opportunities & Development) as intervening variables. SPSS software was used to find out the results. Therefore, to assess the impact of training on employee retention, Regression analysis was considered. The study has found that the Training has significant impact on Employee Retention with the Human Resource Management Practices (Compensation and Career Opportunities & Development) as intervening variables in case of Public Sector Banks. The study has also found that the relationship is significant between intervening variable such as Career Opportunities & Development and dependent variable i.e. employee retention in case of Public Sector Banks but relationship is not significant in case of Private Sector Banks.

Keywords: Human Resource Management, Training, Employee Retention, Compensation and Career Opportunities & Development

INTRODUCTION

Human Resource is one of the most valuable assets for any organization and it is the source of achieving competitive edge. Managing human resources is very challenging as compared to managing technology or capital and for the growth and development of any organization; it requires an effective HRM system. Employees today are different. They are not the ones who don't have good opportunities at hand. As soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. If any organization faces

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problems of high employee turnover then it is problematic since it has a negative impact on an organizations performance. Employees are the backbone of an organization. Hence, the retention of the employees is an important tool in keeping an organization on track. Banking sector of India is characterized by a high competition and is fully technology-based which create a severe problem to survive in the market place. Human resource management of banking sectors could play a pivotal role for overall growth of the Banking Sectors. The entry of New Private Sector Banks and Foreign banks have made the market more competitive and it has also improved the services quality of banks during the last two decade in India. Directly or indirectly these reforms in policy and technology especially in banking sector have developed a new outlook in the social and economic side of bank employees in India. The need of present study has been developed considering the report submitted entitled ‘Capacity Building in Banks and Non Banks’ by G. Gopalakrishn (Chairman of the committee) on July 23, 2014, where the level of attrition of employees was mentioned particularly in Public and Private sector Banks. The report reveals that the average level of attrition varies from 5% to 5.62% and attrition level was highest at junior management level than the senior management level in case of Public Sector Banks. But rate of attrition varies from 28% to 4% among the Private Sector Banks. The attrition rate among middle management level employees varied from 10% to 4% in Private Banks. At the same time, it is known that the attrition of employee is a costly affair for the service sector organization. The Federation of Indian Chambers of Commerce and Industry (FICCI, Annual survey Feb, 2010) has highlighted the problems faced by Public Sector Banks, Private Sector Banks and Foreign Banks are hiring qualified youngsters, high overheads cost, poaching of skilled quality staff and high attrition rates. High attrition rate of employees indicates indirectly loss of knowledge, experience and secrecy of the business. Therefore, it has posed a serious problem for the organization. Now, question that arises in front of the organization is how to retain employees in the organization. The effective human-resource practices of banking sectors could play a pivotal role with the help of acquiring new knowledge, improved perfection in working skills, concepts, or change of attitudes as well as behaviors. Training helps in updating old talents and developing new ones. This indicates that the changing work scenario necessitates different types of training programmes to educate the employees and provide them with additional knowledge and skill to adapt themselves to the changes. Trained employees are valuable employees for achieving organizational goals and for satisfying needs & expectations of the customer. As the investment in various training programmes continues to

rise, it becomes more imperative for employers to understand the importance of training in the organization.

The present paper entitled “Influence of Human Resource Management practices on Employee Retention: A Study in Banks” has been conducted to find out the impact of training on employee retention which is an empirical in nature. The dependant variable of the study is employee retention. The intervening variables of the study are Compensation and Career Opportunities & Development and Training has been considered as independent variable.

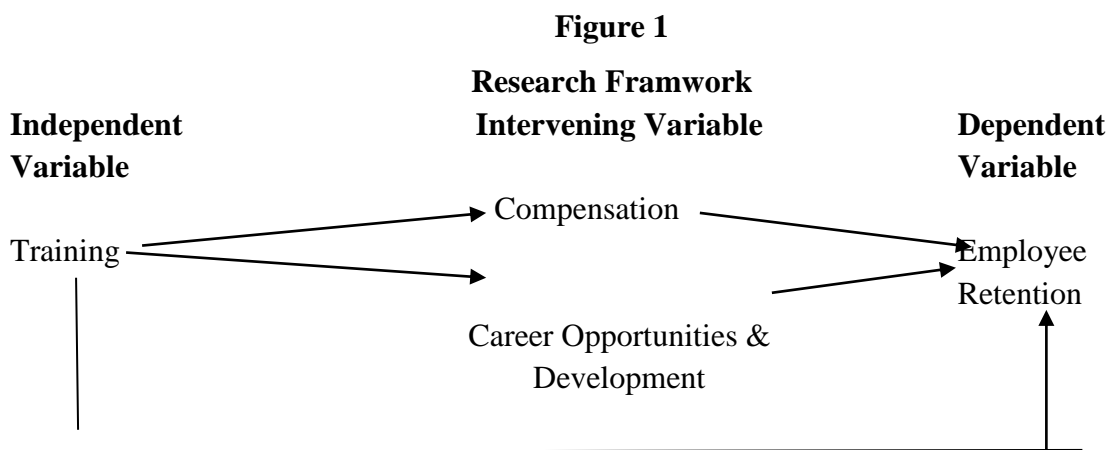
REVIEW OF LITERATURE

A conceptual framework has been developed with the help of reviewed related empirical studies accepted in the area of Human Resource Management practices particularly on employee retention strategies at national and international level. According to **Cole, C. L (2000)**, the factors responsible for employee retention in an organization are; career opportunities, work environment and work life balance etc. **According to Madan & Bajwa (2015)**, motivation is the vital aspect of employee retention which helps to retain the employees in the organization so as to perform better. And for retaining the best and the most suitable employee organization needs to provide proper career opportunities, working environment, compensation benefits and supervisor support to the employees. **Bhatia, S.K. (2010)** said employee engagement is a crucial for retention. Whereas **Sherjung (2011)** mainly focused on some HR practices which affect employee retention in the organization and the identified HR practices are hiring practices, compensation and benefits, job security, training and development, opportunity for growth etc. Another study conducted by **Heathfield (2011)** on ‘The Bottom Line for Employee Retention’ found the key factors of employee retention in any organization is the opportunity to learn where an employee wants to continue to grow and develop job and career enhancing skills. **Singh & Dixit (2011)**, highlighted about employees’ intent to leave the organization as when they do not get an opportunity to use their full potential and when they are not heard and valued. **Minh (2012)** also found that there is a strong relationship between job satisfaction and retention of employees. **Accordind to Uma (2013)** the perceived levels of employee retention in the company are as career development, allocation of rewards regarding work and work environment. **Hassan, et al. (2013)** in their study on “The Effect of Training on Employee Retention” found that job training is necessary so as to maintain encourage and loyalty among the employee working in the organization. The study suggests that employees must

be given an environment where they are able to embrace career growth and get opportunities to develop their professional skill. **Ahmad (2014)** in his paper “Impact of Training on Employee Retention” identified that there is a significant impact of training on employees’ retention. The study supports the cause of training and its effect on employee retention. **Joe (2014)** in his article entitled on “Training increases Employee Retention” highlights the importance of training since it helps to learn new skills, enhance their existing skills, able to grow in different position and feel good that they are doing important job for the organization. Training helps company to get increased productivity, reduced employee turnover, and minimize the need for constant supervision.

CONCEPTUAL FRAMEWORK

From the enormous quantity of academic literatures relating to Human Resource Management Practices, the researcher has developed a conceptual framework as given in figure 1 so as to find out the role of training on employee retention. Though, the review of literatures show a number of factors affecting employee retention such as Training, Compensation, Supervisory Support, Career Opportunities & Development, Work Life-Balance and Working Environment etc, but the study has carried out mainly on Training, Compensation and Career Opportunities & Development. Therefore, researcher used the variables to attain the objectives of the study are shown with the help of a conceptual framework as given in figure 1. The variables used in the present study are:



OBJECTIVES OF THE STUDY

- A.** To find out the relationship of Training with Compensation of employees working in Public and Private sector banks.
- B.** To find out the relationship of Training with Career Opportunities & Development of employees working in Public and Private sector banks.

- C. To find out the relationship of Compensation with Employee retention of employees working in Public and Private sector banks.
- D. To find out the relationship of Career Opportunities & Development with Employee Retention of employees working in Public and Private sector banks.
- E. To find out the relationship of Training with Employee Retention of employees working in Public and Private sector banks.

HYPOTHESES OF THE STUDY

There is no significant relationship of training with Employees Retention

RESEARCH METHODOLOGY OF THE STUDY

An Empirical research design has been applied for the present study. The sample area of the study is Jorhat District of Assam. The existence of a well organised large network of banks and the significant presence of the Private Sector banks in Jorhat are the reasons for selecting Jorhat as the sample area. There are all total of 20 no's State Bank of India (SBI) branches operating in Jorhat District, including 1(one) zonal office and 3 (three) specialised branches. On the other hand, Nationalised bank branches are 40 (forty) in number and 8 (eight) number of Private Sector Bank branches are also serving in the study area including 1 (one) Old Private Sector Bank branch. The study has been carried out on selected employee of selected Public and Private Sector Bank branches. The total number of Officers and Non- Officers of the selected bank branches of Jorhat District was 751 as on 31st March, 2014. Convenience sampling technique was used in this research because there was time constraint and small size of population. The sample size is decided as 252 according to the table for determining samples size from a given population obtained by ROBERT V. KREJCIE (university of Minnesota, Duluth) and Daryle W.Morgan (Texas A. & M. University). A total of 42 Managers and 42 Non-Managers were selected from both State Bank of India and Nationalized Banks and total 84 Managers were taken from Private Sector Banks since respondents from non managerial were not available in Private Sector Banks in the area under study. 5 point likert scale questionnaire was used to collect data with 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree. A total of 29 items were used in this research. Reliability, correlation and regression analysis were used using SPSS (16.0 Version).

RESULTS AND DISCUSSIONS

To test the internal consistency, the Cronbach's alpha test has been applied and results are shown in Table no 1

Table 1: Reliability Analysis of Variables

Variables	Cronbach's Alpha
Employee Retention	.193
Employee Training	.806
Compensation	.886
Career opportunities & Development	.687

N=252, Independent Variable (Training), Intervening Variables (Compensation and Career Opportunities & Development) and Dependent Variable (Employee Retention)

Table 1 depicts the results of reliability analysis of the selected variables of Employee retention. It is seen that the value of Cronbach's alpha for employee retention is 0.193 (4-items), 0.806 (12-items) for employee Training, 0.886 (9-items) for Compensation and 0.687(4 items) for Career Opportunities and Development. Though the value of Cronbach's alpha for retention variable shows relatively smaller coefficient of reliability yet it has been rated positive, and all variables under study show good reliability and high level of internal consistency of data and scale.

Table 2
Descriptive Statistics and Correlation

Variables	Types of Banks	Mean	Std. Dev	TRI	RET	COM	COD
Training (TRI)	PSB	3.9216	.53174	1	.677**	.604**	.556**
	PVSB	3.8839	.66087		.093	.237*	.437**
	ALB	3.9091	.57694		.457**	.470**	.492**
Retention (RET)	PSB	3.5804	.61744	.677**	1	.544**	.583**
	PVSB	3.3482	.57684	.093		-.147	.150
	ALB	3.5030	.61297	.457**		.369**	.446**
Compensation (COM)	PSB	3.1065	.89100	.604**	.544**	1	.427**
	PVSB	2.8188	.74041	.237*	-.147		.404**
	ALB	3.0106	.85319	.470**	.369**		.435**
Career Opportunities & Development (COD)	PSB	3.6577	.66711	.556**	.583**	.427**	1
	PVSB	3.1994	.83934	.437**	.150	.404**	
	ALB	3.5050	.75889	.492**	.446**	.435*8	

Source: Data Computed from Field study

** Correlation is significant at the 0.01 level (2- tailed)

*Correlation is significant at the 0.05 level (2- tailed)

N=252, Independent variable=Employee Training, Intervening Variables=Compensation and Career Opportunities & Development & Dependent Variable=Employee Retention.

* PSB indicates Public Sector Banks

* PVT. SB indicates Private Sector Banks

* ALB indicates Public and Private Sector Banks

The above Table no 2 shows the correlation between the studied variables to express the strength of relationship and also shows standard deviation and mean of the variables. The above mentioned HR Practices were found to be significantly correlated with each other. It was found that there exists a positive high correlation between training and compensation since value are 0.604, .237 and .470 for Public, Private and all banks respectively. It has also been observed that there is a negative correlation between Employee Retention and Compensation in case of Private Sector Banks. The result also shows a positive correlation between Training and Career Opportunities & development in Banks. The result of the Pearson Correlation has been supported with the value of .556** (PSB), .437** (PVSb) and .492** (ALB) which indicates Training has strong and positive correlation with Employee's Career Opportunities & Development at .01 significant level banks under study.

REGRESSION ANALYSIS

The regression analysis provides the result of coefficient of determination, t-value and P-value. Coefficient is the slope of regression line and it explains that 1 unit change in independent variable will bring how much change in dependent variable. The coefficient of determination (R^2) explains how much variation in the dependent variable is explained by the independent variable.

Table 3: The results of Regression analysis between the variables under study

Variables	Sample Banks	Coefficient	R^2	T	P-Value	F
Training and Compensation	PSB	.604	.365	9.774	.000	95.530
	PVT. SB	.237	.056	2.211	.030	4.886
	ALB	.470	.221	8.417	.000	70.844
Compensation and Employee Retention	PSB	.544	.296	8.353	.000	69.777
	PVT. SB	-.147	.022	-1.350	.181	1.822
	ALB	.369	.136	6.285	.000	39.507
Training and Career Opportunities & Development	PSB	.556	.309	8.616	.000	74.241
	PVT. SB	.437	.191	4.403	.000	19.385
	ALB	.492	.242	8.927	.000	79.691
Career opportunities & Development & Retention	PSB	.583	.340	9.251	.000	85.589
	PVT. SB	.150	.023	1.377	.172	1.896
	ALB	.446	.199	7.888	.000	62.214
Training and Employee Retention	PSB	.677	.458	11.480	.000	140.193
	PVT. SB	.093	.009	.844	.401	.712
	ALB	.457	.208	8.114	.000	65.833

Source: Data Computed from Field study

*Dependent Variable: Employee Retention

*Independent Variable: Training

*Intervening Variables: Compensation and Career Opportunities & Development.

*PSB indicates Public Sector Banks

* PVT.SB indicates Private Sector Banks

* ALB indicates Public & Private sector Banks.

Table no 3 shows the value of coefficient (β_1) is .604 which indicates that 1% increase in training will bring 60.4% increase in Compensation in Public Sector Banks. It can be viewed that training has a significant positive effect on compensation because p-value is less than 0.05. The regression result show the value of R^2 is .365 which explains that training brings 36.5% variation in Compensation. This shows that there might be other factors that explain this variation and the model of the present study as training can explain only 36.5% and it means 63.5% cannot be explained by training alone. T-value is 9.774, which indicates that regression model results in good prediction of Compensation. The value of F-test shows that the model's strength is 95.530.

In case of Private Sector Banks, coefficient (β_1) is .237 which indicates that 1% increase in training will bring 23.7% increase in Compensation. It can be viewed that though training has a positive effect on Compensation but p-value is more than 0.05. The regression result shows the value of R^2 is .056 which explains that training brings 5.6% variation in compensation. The Value of F-test shows that the models strength is only 4.886.

When comparison is made for both types of bank, it is found that training has a significant positive effect on Compensation because p-value is less than 0.05. The value of F-test shows that the model's strength is 70.844. Therefore, study has found that there is a positive relationship between training and compensation in Banks.

Table 3 shows the value of coefficient (β_1) of .556, .437 and .492 which indicates that 1% increase in training will bring 55.6%, 43.7% and 49.2% increase in Career Opportunities & Development in all banks under study. It can be viewed that training has a significant positive effect on Career Opportunities & Development because p-value is less than 0.05. The regression results show the value of R^2 is .309, .191 and .242 which explains that training brings 30.9%, 19.1% and 24.2% variation in Career Opportunities & Development. T-value is 8.616, 4.403 and 8.927, therefore it can be concluded training is a good prediction of Career Opportunities & Development. The value of F-test shows that the model's strength is 74.241, 19.385 and 79.691. The study has found that there is a positive relationship between training and Career Opportunities & development in all banks under study.

From the same table, results of regression analysis of coefficient in respect of Public, Private and ALB banks are .583, .150 and .446 that indicates 1% change in independent variable (Career opportunities & Development) can result in 58.3%, 15.0% and 44.6% change in dependent variable (Employee Retention) of the banks under study. The value of R^2 is .340, 0.023 and .199 that explains Career Opportunities & Development account 34%, 2.3% and 19.9% variation in Employee Retention and this can be viewed as there might be other factors that bring variation of 66%, 97.7% and 80.1% in the outcome variable of the study banks. The T-value for this hypothesis is 9.251, 1.377 and 7.888 which represent Career opportunities & Development as good predictor of Employee Retention. The value of F-test shows that the model's strength is 85.589, 1.896 and 62.214. It clears from the above table that relationship is significant between Career Opportunities & Development and Employee Retention in case of Public Sector Banks but relationship is not significant in case of Private Sector Banks.

At the same time from same Table no 3 shows the value of coefficient as .677(PSB), .093 (PVT.SB) and .457(ALB) which indicate 1% change in independent variable (training) can result in 67.7% (PSB), 9.3% (PVSb) and 45.7% (ALB) change in dependent variable (Employee Retention).Thus, if training is increased by 1%, this will result in 67.7% for Public sector banks, 9.3% for Private Banks and 45.7% for ALB banks' increase in employee retention. The regression analysis where value of R Value of R Square implies that 45.8% variation in Employee Retention is because of Training. The value of F (140.193) implies that the model possess significant overall strength. The null hypothesis that "There is no significant relationship of training with Employees Retention" has proven statistically significant i.e. training has positive relationship with Employee retention in Banks.

On the basis of the analysis and interpretation, it has been inferred that there is a significant impact of Training on Employee Retention in case of Public Sector Banks. But in case of Private Sector Banks it is found that training has no significant impact on employee retention. On the other hand, when it is determined for both types of banks (Public as well as Private Sector Banks), it is found that there is a significant impact on employee retention.

CONCLUSION

The importance of training in the corporate world has been recognized in recent times, and it is essential for all organizations to make their employees' skill based. Since banking organization is a service sector, employee dedication and attachment are the prime factors for this and training is such a weapon by which employees can learn update developments of the

world and recent changes. Employee's intention to stay or leave in any organization depends on personal issue and at the same time retention is also influenced by many positive side of an origination apart from financial and non-financial benefits. The study shows that there is an intervening role associated with the variables of Compensation and Career Opportunities & Development with the variables of Employee Training and Employee Retention. It can be concluded that training affects the intervening variables of Employee Retention and again these intervening variables affects Employee Retention since the Public and ALB banks (Public and Private Banks) have shown the same result. The findings suggest that Employee Retention is not influenced by compensation and Career Opportunities & Development in case of Private Sector Banks. It can be concluded that Training influences retention of employee in the Public Sector Banks. The expectations of employees of Private Sector Banks are shown different in the study and so far as retention in the organization is concerned, there may be other factors which could have more influence on Employee Retention.

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