

AN EMPIRICAL STUDY OF EMPLOYEE RETENTION IN RELATION TO HRM PRACTICES OF PRIVATE SECTOR BANKS

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ABSTRACT:

The study has been undertaken to examine the relationship between perceived human resource practices and employee retention. The study is descriptive & empirical in nature. The data was collected from selected private sector banks using stratified random sampling in Haryana. The result of present study revealed that perceived human resource management practices are positively related with employee retention. Measures of human resource practices and measures of employee retention have significant relationship. The study suggested private banks to increase their retention level of employees to overcome the problem of employee turnover.

KEYWORDS: Employee retention, Human resource practices, Employee turnover, Bank employees.

INTRODUCTION:

Over the past decade, the way in which people are managed and developed at work has come to be recognized as one of the primary factors in achieving improvement in organizational performance (Marchington and Wilkinson 1997; Phillips 1997). (Anand, 1997 and Maguire, 1995) acknowledged that successful organizations share a fundamental philosophy of valuing and investing in their employees. In fact several research studies have described human resource management as a means of achieving competitive advantage. (Huselid 1995 and Walker 2001). Consistent with this perspective, the retention of their employees is an equally important issue for organizations.

HRM practices refer to organizational activities directed at managing the pool of human resource and ensuring that the resources are employed towards the fulfillment of organizational goals (Schuler & Jackson 1987). Human resource management practices are the management of people within the internal environment of organizations, comprises the activities, policies, and practices involved in planning, obtaining, developing, utilizing, evaluating, maintaining, and retaining the appropriate numbers and skill mix of employees to achieve the organization's objectives.

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. It is an effort by a business to maintain a working environment which supports current staff in remaining with the company. Many employee retention policies are aimed at addressing the various needs of employees to enhance their job satisfaction and reduce the substantial costs involved in hiring and training new staff. Employee retention is beneficial for the organization as well as the employee. Retention Strategies helps organizations provide effective employee communication to improve commitment and enhance workforce support for key corporate initiatives.

REVIEW OF LITERATURE:

Perumal, P., Choi S. L., et. al. (2012), discussed extensively the impact of human resource practices that can alter the negative effect on the organization due to high employees' turnover. Studies have shown that

turnover was one of the most researched phenomena in organizational behaviour. Results revealed that HR practices have considerable impact on employees' turnover.

Various HRM practices i.e. career development opportunities, supervisor support, working environment, rewards and work-life policies on employee retention in the banks. The retention of human resources has been shown to be momentous to the development and the accomplishment of the organization's goals and objectives. Increased emphasis has been laid on retention especially with the onset of revolution of information technology which is human sensitive. **Narang, Uma (2013)**. The findings of the study concluded that there was a good relationship between the employee retention and the HRM practices. **Thite M., Russell B. (2010)**, addressed the human resource (HR) implications of providing customer service by Indian customer contact centers and the BPO model. The main aim of the researcher was to explore the effects of HR practices on employee retention and attrition in Indian BPO. Researcher critically analyzed the role that HR played in the very dynamic context of offshore business process outsourcing by conducting study of retention and attrition at four large Indian BPO providers. Indices of work load manageability, job skills, training, monitoring, team functioning, workplace socialization practices and elements of the employee relations climate were analysed. It was revealed that high employee turnover were potentially destabilizing effects for the industry with flow-on effects on other aspects of HR, including recruitment and training, remuneration, and finally for productivity and unit costs. **Bawa, A. M. and Jantan, M. (2013)**, investigated the relationship between human resource (HR) practices and employee turnover in Malaysia where companies were generally experiencing labour shortage and labour turnover. The two phenomena seem to be influenced by a different set of factors. It was found that (1) staffing process and employee monitoring were effective in reducing involuntary turnover, and (2) none of the HR practices were effective in reducing voluntary turnover. The study concluded that economic factors such as availability of alternative jobs were most likely relevant in explaining the turnover process. **Philpott, John (2007)**, surveyed emerging trends in people resourcing practice. Researcher examined the relationship between organizations and third-party recruitment agencies. Researcher focused on the fact that the pay on offer in a job, though very important, but no more significant than lack of development or career opportunities within an employee's current organisation. **Sheikh, A. M. and Wusat-ul-Qamar (2011)**, conducted a research to study the impact of HRM practices (career development opportunities, supervisor support, working environment, rewards and work-life policies) on employee retention in the Islamia University as well as the banks in Bahawalpur. The findings revealed that there was a good relationship between the employee retention and the HRM practices. It was also found that the frequencies and cross tabs relating to the working environment and career development opportunities were showing the higher values.

RESEARCH METHODOLOGY:

Research Objectives:

The present study is intended:

To examine the correlation between perception towards HRM practices and employee Retention in selected various Private Sector Banks in Haryana.

Research Hypothesis:

On the basis of above literature review following hypothesis is drawn:

(H₁) Perceived HRM practices are significantly related to employee retention in selected various Private Sector Banks in Haryana.

Sample Frame:

Selection of Sample:

The present study is concentrated on the three leading banks from Private sector i.e. Housing Development Finance Corporation (HDFC), AXIS Bank, Industrial Credit and Investment Corporation of India (ICICI).

Population Frame: All Employees of ICICI, HDFC, AXIS Bank.

Sample Area: The employees of selected private sector banks in Haryana are the target population for this study.

Sample Unit: Employee (Managerial & non-Managerial staff)

Sample Size:

400 employees from selected private sector banks in Haryana were taken. 35.25% of employees from HDFC Bank, 31.25% from AXIS Bank, 33.5% from ICICI Bank comprises of total sample.

Nearly 600 questionnaires were distributed to bank employees but only 400 questionnaires were turned useful as few questionnaires were half filled or very less percentage of questionnaires was filled. Thus only, 66% questionnaires were turned useful.

DATA ANALYSIS:

Statistical tool used which is applied to analyze the objective is Pearson Product- Moment Correlation Method. A Correlation is often called a bivariate correlation to designate a simple correlation between two variables. The researcher has attempted to understand the direction and strength of relationship between HRM Practices and Measures of Employee Retention with the help of Pearson Product Moment Correlation.

Relationship between Overall HRM Practices and Overall Employee Retention

(Refer Correlation Matrix Table no.1)

In order to examine the relationship between Overall HRM Practices and Overall Employee Retention & test the hypothesis i.e. **H₁ i.e. perceived HRM practices are significantly related to employee retention in selected various Private Sector Banks in Haryana.** It is evident from Correlation Table No.1 that $r = .671$ which is positively significant at .01 level. This positive correlation indicates that Overall HRM Practices significantly related with Overall Employee Retention and Correlation is significant at 99% level of significance (2 tailed). It is also observed that all the measures of Employee Retention are in positively correlated with HRM Practices. Thus it is concluded that good HRM Practices positively related with Employee Retention of selected Private Sector Banks. Therefore Alternate Hypothesis is accepted that there is a positive relationship between Overall HRM Practices and Overall Employee Retention is established.

Relationship between Human Resource Planning and Overall Employee Retention

(Refer Correlation Matrix Table no.1)

In an attempt to examine the relationship between Human Resource Planning and Overall Employee Retention, correlation analysis is performed which shows that $r = .629$, $p=0.01$. It is found that both share a positive association in between them and that is significant at 99% at 99% level of significance (2-tailed). It is also inferred that Human Resource Planning is in positive correlations with employee retention. It is also observed that all variables of Employee Retention also are in positive relation with Human Resource Planning. Hence we can conclude that there is positive relation between Human Resource Planning and Overall Employee Retention.

Relationship between Recruitment & Selection and Overall Employee Retention

(Refer Correlation Matrix Table no.1)

In line of testing the relationship between Recruitment & Selection and Overall Employee Retention, correlation analysis is performed which shows that $r = .497$, $p=0.01$ indicating that both share a positive degree of relationship that too of significant nature i.e. at 99% level of significance (2-tailed). It is also witnessed that all the methods of Recruitment & Selection are in positive correlations with employee retention which helps the researcher to conclude that if any positive change towards the methods of

Recruitment & Selection then perception of employees pertaining to retention will become more positive. Hence it is concluded that there is positive & significant relationship between Recruitment & Selection and Overall Employee Retention

Table No.1**CORRELATION MATRIX OF VARIABLES UNDERSTUDY:**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1 Organizational Climate	1	.5077**	.611**	.331**	.331**	.887**	.526**	.373**	.382**	.473**	.340**	.375**	.354**	.393**	.392**	.418**	.409**	.380**	.347**	.547**	
2 Job Satisfaction		1	.625**	.642**	.436**	.464**	.892**	.541**	.450**	.368**	.482**	.360**	.369**	.342**	.416**	.378**	.357**	.367**	.452**	.265**	.565**
3 Employer of Choice			1	.606**	.337**	.404**	.702**	.481**	.429**	.307**	.421**	.336**	.398**	.252**	.365**	.423**	.347**	.325**	.445**	.282**	.519**
4 Propensity to stay				1	.445**	.473**	.808**	.545**	.442**	.501**	.555**	.367**	.406**	.419**	.410**	.445**	.475**	.429**	.507**	.322**	.620**
5 Employee well-being					1	.521**	.564**	.358**	.317**	.240**	.373**	.202**	.193**	.298**	.270**	.294**	.281**	.339**	.330**	.189**	.397**
6 Organizational Commitment						1	.558**	.449**	.372**	.246**	.393**	.316**	.304**	.349**	.414**	.396**	.331**	.374**	.384**	.169**	.484**
7 Overall Employee Retention							1	.629**	.497**	.455**	.580**	.413**	.442**	.430**	.481**	.483**	.479**	.478**	.518**	.359**	.671**
8 Human Resource Planning								1	.591**	.454**	.657**	.566**	.583**	.463**	.644**	.591**	.543**	.542**	.569**	.408**	.837**
9 Recruitment & Selection									1	.549**	.642**	.439**	.443**	.451**	.478**	.411**	.509**	.456**	.526**	.344**	.787**
10 Induction										1	.629**	.356	.303	.319**	.356	.354	.430	.351**	.346	.183	.633**

												**	**		**	**	**	**	**			
11	Training & Development									1	.580**	.620**	.531**	.500**	.515**	.625**	.536**	.545**	.407**	.881**		
12	Performance Appraisal										1	.589**	.404**	.504**	.509**	.424**	.333**	.418**	.273**	.711**		
13	Career Planning											1	.487**	.513**	.457**	.462**	.440**	.488**	.350**	.726**		
14	Fringe Benefits												1	.382**	.414**	.525**	.446**	.422**	.319**	.633**		
15	Reward & Recognition													1	.577**	.456**	.431**	.500**	.386**	.716**		
16	Welfare Activities														1	.515**	.445**	.514**	.358**	.671**		
17	She Policy															1	.612**	.529**	.357**	.724**		
18	Suggestion Schemes																1	.502**	.308**	.646**		
19	Promotion & Transfers																	1	.489**	.700**		
20	Exit Policy																			1	.494**	
21	Overall HR Practices																					1

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

Relationship between Induction and Overall Employee Retention:

(Refer Correlation Matrix Table no.1)

In order to examine the relationship between Induction and Overall Employee Retention, correlation analysis is performed which shows that $r = .455$, $p=0.01$ indicating that both share a positive degree of relationship that too of significant nature i.e. at 99% level of significance (2-tailed). It is also seen that Induction are in positive correlations with employee retention which helps the researcher to infer that if any progressive

change is made towards the Induction then perception of employees pertaining to retention will become more positive.

Relationship between Training & Development and Overall Employee Retention:

(Refer Correlation Matrix Table no.1)

To gain an insight in to the relationship between Training & Development and Overall Employee Retention, Correlation analysis is performed and it is found that $r = .580$, $p=0.01$ which shows that independent variable (Training & Development) is positively associated with the dependent variable (Employee Retention) and correlation is significant at 99% level of significance (2-tailed). It is also witnessed that all the methods of Training & Development are in positive correlations with employee retention. All this assisted the researcher in making the observation that if any positive change is made towards the methods of Training & Development then it will bring increase in the level of employee retention in Private Sector Banks.

Relationship between Performance Appraisal and Overall Employee Retention:

(Refer Correlation Matrix Table no.1)

In search of examining the relationship between Performance Appraisal and Overall Employee Retention, Correlation analysis is performed and it is found that $r = .413$, $p=0.01$ which shows that HRM Practice i.e. Performance Appraisal is indicating a positive relationship with Employee Retention and correlation is significant at 99% level of significance (2-tailed). It is also observed that all the methods of Performance Appraisal are in positive correlations with employee retention. All this relationship helps the researcher in making the observation that if any positive change is made towards the methods of Performance Appraisal then it will bring increase in the level of employee retention in Private Sector Banks. Hence it is inferred that any increase in positivity of employee perception towards Performance Appraisal will bring simultaneous increase in the level of employee retention.

Relationship between Career Planning and Overall Employee Retention:

(Refer Correlation Matrix Table no.1)

In lieu of investigating the relationship between Career Planning and Employee Retention, the researcher has computed Pearson product moment correlation to study the magnitude as well as strength of relationship between two variables. The correlation suggested that $r = .442$, $p=0.01$ which infers that there is a strong, positive correlation between Career planning and Employee Retention and it is significant at 99% level of significance (2-tailed). It is further interpreted from the correlation tables that all the methods of Career Planning are having positive correlation with Employee Retention. It aids the researcher in concluding that if any advancement is done in methods of Career Planning then surely the employee retention will increase.

Relationship between Fringe Benefits and Overall Employee Retention:

(Refer Correlation Matrix Table no.1)

In order to evaluate the relationship between Fringe Benefits and Employee Retention, correlation coefficient is computed. It is observed that $r = .430$, $p = 0.01$. Overall there is positive relationship between Fringe Benefits and Employee Retention and is significant at 99% level of significance (2-tailed). It is inferred from the correlational table that Fringe Benefit positively related to overall Employee Retention. It is further observed that higher the Fringe Benefits given to the employees, higher will be the level of Employee Retention. Hence on the basis of statistical results, researcher indicates the result of positive relationship between fringe benefits and employee retention.

Relationship between Reward & Recognition and Overall Employee Retention:

(Refer Correlation Matrix Table no.1)

In order to examine the relationship between Reward & Recognition and Employee Retention, researcher used correlation analysis. It is observed from the correlation Table no. 5.3.1 that $r = .481$, $p = 0.01$ indicating that both share a positive degree of relationship between Reward & Recognition and Employee Retention

that too of significant nature i.e. at 99% level of significance (2-tailed). It is also witnessed that all the types of rewards are in positive correlations with employee retention which helps the researcher to conclude that if any positive change towards the types of rewards then perception of employees pertaining to retention will become more positive. Hence we can conclude that higher the Rewards & Recognition given to employees, higher will be the level of Overall Employee Retention.

Relationship between Welfare Activities and Overall Employee Retention:

(Refer Correlation Matrix Table no.1)

In order to test the relationship between Welfare Activities and Overall Employee Retention, Correlation analysis is performed by the researcher which resulted in $r = .483$, $p = 0.01$. It is found that both share a positive association in between them and that is significant at 99% level of significance (2-tailed). It is also inferred that welfare activities provided by employer to employee have positive relationship with employee retention. It is also inferred that higher the activities done by the employer for the welfare of employees, higher will be the level of employee retention. Therefore, we can say that there is positive relationship between the both Welfare Activities and Employee Retention.

Relationship between She Policy and Overall Employee Retention:

(Refer Correlation Matrix Table no.1)

In lieu of testing the relationship between She Policy and Overall Employee Retention, researcher performed correlation analysis which indicates the results such as $r = .479$, $p = 0.01$. From the statistical results, it is found that both share a positive relationship in between them and that is significant at 99% level of significance (2-tailed). It is also inferred that She Policy used by the employer to provide safety to the female employees will result in more employee retention. It is also inferred that higher the activities done by the employer for the safety of women employees, higher will be the level of employee retention. Therefore, we can say that there is positive relationship between the both She Policy and Employee Retention.

Relationship between Suggestion Schemes and Overall Employee Retention:

(Refer Correlation Matrix Table no.1)

In search of examining the relationship between Suggestion Schemes and Overall Employee Retention, Correlation analysis is performed and it is found that $r = .478$, $p=0.01$ which shows that Suggestion Schemes is indicating a positive relationship with Employee Retention and correlation is significant at 99% level of significance (2-tailed). It is also observed that all the various schemes of taking suggestion from the employees are in positive correlations with employee retention. All this relationship helps the researcher in making the observation that if any positive change is made towards the scheme of Suggestion Schemes then it will bring increase in the level of employee retention in Private Sector Banks. Hence it is inferred that any increase in positivity of employee perception towards Suggestion Schemes will bring simultaneous increase in the level of employee retention.

Relationship between Promotions & Transfers and Overall Employee Retention:

(Refer Correlation Matrix Table no.1)

In an attempt to examine the relationship between Promotions & Transfers and Overall Employee Retention, researcher used correlation analysis through which results shows that $r = .518$, $p = 0.01$, by which researcher predict the positive relationship between Promotions & Transfers and Employee Retention. It is inferred that when more and more promotions will be given to the employees then their satisfaction level helps in increasing the level of retention. All this relationship helps the researcher in making the observation that if any positive change is made towards the criteria for giving Promotions & Transfers then it will bring increase in the level of employee retention in Private Sector Banks.

Relationship between Exit Policy and Overall Employee Retention:

(Refer Correlation Matrix Table no.1)

In order to evaluate the relationship between exit Policy and Overall Employee retention, researcher used correlation analysis using the Pearson Product Moment Method indicating the results. i.e. $r = .359$, $p = 0.01$ indicating that both share a positive degree of relationship between Exit Policy and Employee Retention that too of significant nature i.e. at 99% level of significance (2-tailed). It is also examined that exit policy are in positive correlations with employee retention which helps the researcher to conclude that if any positive change towards the exit policy of the banks then perception of employees pertaining to retention will become more positive.

CONCLUSION:

From the above analysis it can be concluded that perceived HRM practices are significantly related with employee retention. Perceived HRM practices and employee retention has a positive and significant relationship. The findings of the present study get the support from the research study (Thite M., Russell B.; 2010). The results revealed that HRM practices such as human resource planning, Recruitment & Selection, Induction, Training & Development, Performance Appraisal, Career Planning, Fringe Benefits, Reward and Recognition, Welfare Activities, Suggestion Schemes, Promotions and Transfers, Exit Policy have significant and positive relationship with employee retention. Hence, private sector banks must take several initiatives to implement fair HRM Practices so that their employee retention may be increased.

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