Effect of Demographic Factors on Employee Retention in Nepalese Commercial Banks

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Abstract: Human resource management is an indispensable area in the field of management. It is carried out in order to maximize the efficiency of both employees as well as organization. It is a process, which comprises of the acquisition, development, motivation and maintenance of human resource in the organization. Retention of skillful and experienced employees is crucial for survive, growth and development of an organization. Retention issues is the hot issues especially in Nepalese banking sector. This study examines the impact of demographic factors on retention of employees in Nepalese commercial bank. Commercial banks of Nepal were selected for the research, which is progressive and growing market for financial institutions. The primary data were collected through questionnaire from 400 respondents selected through simple random sampling. The study is based on dichotomous sand 5-point Likert scale questionnaire. Employees gender, age, income level, marital status, current position, job status, residential status, income level, academic qualification is taken as an independent variable whereas employee retention as dependent variable of the study. The collected data were analyzed through SPSS. Chi-square test is used to know the relationship between the independent and dependent variable. It is concluded that demographic factors such as age, marital status, academic qualifications, numbers of earning family members, residential status, monthly income, current position, experience, have relatively significant relationship with employee retention. However, only two demographic variables i.e. job status and gender did not have relationship with employee retention. Furthermore, the study contributes to the formulation of appropriate policies and guidelines to retain employees in Nepal's commercial banks.

Keywords: Human Resource Management, Retention, Turnover, Acquisition

1. Introduction

Human resource management is the important part in the field of management. The responsibility of hiring and selecting the right employee for the organization is HRM department. HRM is the science of managing employee in an organization. HRM supports to recruit right man in right place at right time. It also delivers training and development program for employees to improve their capacity for better performance [29]. HRM develop practices that foster teamwork and flexibility and makes the employees feel that they are valued and their contribution is important for the development and growth of organization. The long-term success of the business is safeguarded by the retention of the human capital otherwise employer has to accept the cost when an employee leave the organization in the form of loss of human capital and hiring of new employee [31].

The concept of HR management came to Nepal with the entry of some foreign joint venture companies, banks and development partners in the 1980s. Due to the advancement of new technology day by day, the importance of human resources is increasing level. To compete globally, organization should utilize their human resources effectively as well as efficiently. The major task of organization is to recruit skilled, experienced and motivated human resources for their future success. The retention of those employees is one of the significant issues of present situation.

Banking industry of Nepal faces ups and downs with time in numerous issues like planning, liquidity management, credit
management, employee management, and so on. Employee management is the endless challenge in all organizations. Majority of young and energetic individuals have shifted abroad because of educational and career attraction to Australia, America and European countries and other. Whereas unskilled individuals are flying over to Arabian countries for employment. Within this comprehensive scenario, Nepali banks are repeatedly facing problem of talent workforces. Within banking industries in Nepal, there is a challenge of employee turnover of joining competitor banks and talent human shift to other countries. Nepali banks have developed culture of fishing best employees from other banks. Such culture attracts competent employees of competitor organizations. To motivate employees for attaining their targets, banks must ensure the rewards fulfilling employee’s expectation. Unsatisfied employees not only perform low but tend to turnover the bank. Thus, to satisfy and motivate the employees, there should be effective and efficient leadership support, training and development culture.

In the past decade, the banking industry in Nepal has seen a wide range of changes. The economic scenario that arose after globalization, privatization, and liberalization has provided the banking sector with a new challenge. Now, to satisfy the expectations and demands of its customers, it has to be more competitive. Like the rest of the world, there is a question of employee attrition and retention in Nepal and the banking sector in Nepal seems to find it more and more difficult to find and retain qualified employees with experience. Adhikari and Gautam clarified that in the Nepalese banking industry, employee retention is a major problem. Employees are trying to pursue better jobs in the banking sector, so the employee turnover rate is high [2].

Employee retention is measured immensely important. Most of the companies are judged on the basis of their turnover rate. The rate of turnover affects the performance of an organization. Low turnover ensures that organization is retaining their skilled workforces by providing them superior environment which increases the performance of individual employee.

Employee retention is the ability of the management to retain its employees for a longer period of time. Employee retention is the ability to hold those employees you want to keep, for longer than your competitors [27]. Retention as the reverse of turnover being voluntary and involuntary [24]. Retention activities may be expressed as a sum of all those activities aimed at increasing organizational commitment of employees, providing them an overall ambitious and numerous of opportunities where they can grow by outperforming others [11]. Retention is a voluntary move by corporation to create an atmosphere that retains employees for a long term. According to Cascio, retaining task encompasses the activities of maintain quality of work life, providing remuneration according to employees’ performance, and developing harmonious relationship between employees and managers [16]. “It is an effort by a business to maintain a working environment which supports current staff in remaining with the company” [42].

Employee retention is important to organizations, as increased turnover creates instability and puts additional workload and stress on remaining staff, increasing job dissatisfaction [35]. Retaining employees is significant because staff members that leave institutes incur direct and indirect costs for the corporation. At present, talent retention has become a hard job for HR managers. Besides increasing salaries and perks, institutions are not able to stop them to leave the current organization. There are different factors which are associated to employee retention among them demographic factors are among them.

Age, gender, tenure, education, and income levels are the demographic factors that have been found to consistently correlate with retention and turnover intentions in literature studies. Over time, these have had an impact on turnover and staff retention. The selection of demographic parameters is based on their impact on employee retention plans. Several research that looked into job attitudes and job satisfaction using demographic characteristics have revealed that they are effective predictors of turnover. Gurmessa, Ferreira, & Wissink revealed that the effect of demographic factors on the academic staff’s intention to quit or stay varied across the organisation. The study concluded that age, educational level, rank, employment status, marital status and area of specialisation had significant influence on employee’s turnover intention [23]. Achoui and Mansour observed that the most significant studied demographic variables are age, the length of service and education. They opined that younger workforces have a greater probability of leaving [1]. Though, some studies show that age has been found to be negatively related to employee turnover tendency [10].

The most studied and the most consistent in its relationship to turnover is the employee’s age. This was discovered by Borman and Dowling. They indicated that employees who are 51 years of age or older are nearly 2.5 times more likely to quit teaching than teachers who are 50 or younger [13]. Moreover, a descriptive statistic reported by Luekens suggests most clearly that retained employees are more likely to be male than female [32]. Ingersoll discovered that men were somewhat more likely to stay than women in a related study. In addition to age and gender, level of education or qualification has been linked to a higher rate of turnover, indicating that the more educated an employee is, the more likely they are to leave [26].

Also, it has been found that education and employee turnover are related, with highly educated workers leaving a company more frequently than less educated workers. [7]. However, while some have revealed a significant positive relationship between intention to quit the job and educational qualification, others found that no relationship between the education and intention to turnover. Thus, these conclusions are varied and as such non-conclusive. Similar to education, the length of service is also seen to contribute to the turnover decision. According to Gregersen and Black, compare to non-experiencedworkforces, experienced workforces have a low turnover tendency [21].

Akova, Cetin, and Cifc conducted research on employee
demographics and the likelihood of turnover in hotels prior to opening. Based on their plans to leave, the study found that gender groupings differed significantly. It has been discovered that male workforce turnover intentions are higher than those of female workforces [4]. Likewise, another study conducted by Cohen, the organizational commitment of younger employees was discovered to be higher because they had weak job experiences and therefore had less opportunity for shifting their jobs [17]. There is a significant difference among gender groups based on their intentions to leave. The turnover intentions of male employees were found to be higher than that of the female employees [40].

Furthermore, Almalki et al. found significant correlations between turnover intention and demographic factors including gender, age, marital status, dependent children, educational attainment, length of time in the nursing profession, organizational tenure, positional tenure, and monthly salary in their study [5]. Employees with higher educational status were also reported to have higher job satisfaction levels [30]. For this reason, it may be also suggested that the employees with higher job satisfaction levels have lower turnover intentions. Armstrong states that retention activities ought to be founded on a comprehension of the variables that influence whether workers leave or remain. For early-profession workers (30 years and under) professional success is critical. For mid-career employees (age 31–50), the ability to manage their careers and satisfaction from their work are critical. Late-career employees (more than 50) will be increasingly inspired by security. It is additionally the situation that a more youthful workforce will change occupations and businesses more frequently than an older workforce, and workforces with a great deal of part-timers are less steady than those with predominately full-time staff [6].

Agyeman & Ponniah studied on employee demographic characteristics and their effects on retention and their effects on turnover of employees. From regression analysis it is found that retention factors are strongly associated to different demographic characteristics of gender, age marital status, qualification, income and year of services [3]. Hyes examined if a relationship existed between age, education, gender, income, and length of tenure, and employee turnover. It is revealed a significant relationship between employee’s age, income, and turnover intention. However, the relationship between education, gender and length of tenure was not statistically significant [25].

The demographic features selected for the study constructed on the literature review are;
1) Gender
2) Age
3) Marital status
4) Qualification
5) Income
6) Years of service;
7) Current position;
8) Job status;
9) Residential status.

It could be seen that these characters have the greatest influence on staff turnover and retention. Nepalese commercial banks need to concentrate on retention issues. In this context, this study aims to explore the relationship between demographic factors with employee retention. Employee’s issues are the most sensitive one and need to well handle properly by Nepalese banking sectors. The present study will contribute a deeper understanding of retention factors especially demographic factors of employees in commercial bank of Nepal. This research focused to fill the gap in the study of human resources in general, as well as financial institutions in particular on employee retention.

2. Methods

For fact-finding, this study adopts a descriptive research design. This study was conducted among 400 respondents selected from 25 commercial banks through simple random sampling technique. Questionnaire was used to collect primary data. For the data analysis descriptive and chi square test were used. Frequencies table was employed for demographic characters. The chi square test was applied to know the association between demographic variables like gender, age, income level, marital status, current position, job status, residential status, income level, academic qualification and employee retention.

3. Results and Discussions

In this section the results of the study are presented and discussed with reference to the purpose of the study. The detailed analysis of demographic characteristics of employees are presented in table 1.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Group</th>
<th>Frequency (N)</th>
<th>%age (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>234</td>
<td>58.5%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>166</td>
<td>41.5%</td>
</tr>
<tr>
<td>Age</td>
<td>20-30</td>
<td>170</td>
<td>42.5%</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
<td>190</td>
<td>47.5%</td>
</tr>
<tr>
<td></td>
<td>41-50</td>
<td>36</td>
<td>9.0%</td>
</tr>
<tr>
<td></td>
<td>51-60</td>
<td>4</td>
<td>1.0%</td>
</tr>
<tr>
<td>Marital Status</td>
<td>Married</td>
<td>233</td>
<td>58.3%</td>
</tr>
<tr>
<td></td>
<td>Unmarried</td>
<td>159</td>
<td>39.8%</td>
</tr>
<tr>
<td></td>
<td>Divorced</td>
<td>6</td>
<td>1.5%</td>
</tr>
</tbody>
</table>
The above table depicts that majority of the respondents falls under the age of 31 to 40 yrs. i.e. 47.5% whereas 42.5% samples falls under the age of 20 to 30 years where only 9% of the sample were falls under the age of 41 to 50 years. The respondents under age of 51 to 60 years are only 1% i.e., only four employees. Thus, it can be said that young people make up the majority of the workforce in Nepal's banking sector. There could be a number of causes for it. One of these might be that they exhibit typical human traits of vigor and enthusiasm for life at this age range.

From the above table it is found that out of 400 employees, 58.5% of the respondents were male and 41.5% were Female i.e., more of the male respondents answered the questionnaire. It also shows that maximum number of respondents are married i.e., 58.3% where 39.8% were unmarried. There were few numbers of divorced respondents which%ages are only 1.5%. It is also revealed that there was only one respondent who were separated and widow. The maximum number of employees were post Graduate i.e. 222 (55.5%) in the sample data which is followed by bachelor's degree education with 154 (38.5%). Likewise, only 6% respondents have done professional courses.

It also reveals that majority of respondents have their own house i.e 276 (69%) whereas only 124 (31%) respondents they don’t have their own house. In case of monthly income, it reveals that 30.8% of respondents earned between Rs. 20000 to Rs. 40000 where 25.1% have earned between Rs. 40000 to Rs. 60000. It also shows that 23.3% employees earned between Rs. 80000 to Rs 100000, around 3% employees earned less than Rs. 20000 where only one% employees earned more than one lakh rupees per month. It also shows that 49% respondents have less than 5 years experiences in banking industries where 20.8% respondents have more than 10 years experiences in banking industries. Similarly, 16% respondents have 5 to 7 years, 11% have 9 to 10 years and only 3% have 9 to 10 years’ experience in banking industries.

It also found that 34% of employees were working as officer where as 31.5% were working as junior officer. Similarly, it reveals that around 22.8% employees were work as senior officer and 9.3% were working as senior manager however only 2.5% working as senior manager. The data also portrays that majority respondents were working as permanent employees where only few%ages of respondents were worked as temporary employees i.e 88.8% and 11.3% respectively. It is concluded that banks are very sensitive towards employees’ job security.

The relationship between demographic variables and employee retention are presented below table 2.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Group</th>
<th>Frequency (N)</th>
<th>%age (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>276</td>
<td>69.0%</td>
<td></td>
</tr>
<tr>
<td>Monthly Income (in Rs)</td>
<td>124</td>
<td>31.0%</td>
<td></td>
</tr>
<tr>
<td>Job status</td>
<td>276</td>
<td>69.0%</td>
<td></td>
</tr>
<tr>
<td>Academic qualification</td>
<td>124</td>
<td>31.0%</td>
<td></td>
</tr>
<tr>
<td>Current Position</td>
<td>276</td>
<td>69.0%</td>
<td></td>
</tr>
<tr>
<td>Job Status</td>
<td>276</td>
<td>69.0%</td>
<td></td>
</tr>
</tbody>
</table>

The calculated value of Chi-square statistic between gender of employees and employee retention is compared with table value for 5% level of significance. Since the computed value (0.05 > 0.684) is greater than the table value, there was no significant connection between gender of employees and employee retention. This result is different from Ingersoll [26].

The above table shows that the calculated value of Chi-square statistic between age of employees and employee retention is compared with table value for 5% level of significance. Since the computed value is 0 (0.05 > 0.00), there was significant relationship between age of employees and employee retention which is similar to Achoui & Mansour finding on previous study [1]. Similarly, the calculated value (0.05 > 0.004) is less than the table value. So, there was significant relationship between marital status of employees and employee retention. This result is consistent with previous studies made by Carbery et al. and Cotton and Tuttle [14, 18].

The above table also shows the value of Chi-square statistic between academic qualification of employees and employee retention. The intended value is compared with table value for 5% level of significance. Since the computed value (0.05 > 0.014) is smaller than the table value, there was no relationships between academic qualification of employees and employee retention. This finding is similar to that of the earlier research which found that there is significant relationship between academic qualification and employee retention Lambert and et al [30].

As can be seen in table that the calculated value of Chi-square statistic between residential status of employees and employee retention is compared with table value for 5% level of significance. Since the computed value is 0 (0.05 > 0.033) smaller than table value, there was relationship between residential status of employees and employee retention. Since the calculated P value is 0. So, there was strong relationship between monthly income and employee retention. The computed value of Chi-square statistic between job status and employee retention is compared with table value for 5% level of significance. Since the calculated value (0.05 < 0.759) is greater than the table value, there was no significant relationship between job status of employees and employee retention. Subsequently, the measured P value is 0. So, there was solid association among banking experience and employee retention. This result corresponds with earlier studies that found people who have long tenure have high retention more than people who have short tenure [3].

Likewise, the measured P value is 0. So, there was solid association between current position of employees and employee retention which is similar to Emiroğlu, et al [20].

It is concluded that demographic factors such as age, marital status, academic qualifications, numbers of earning family members, residential status, monthly income, current position, experience, have relatively significant relationship with employee retention. However, only two demographic variables i.e., job status and gender did not have relationship with employee retention.

4. Conclusion

Employee retention issue is emerging as one of the most crucial workforce management challenges in Nepal. This study sought to identify the various employee demographic characteristics and their effects on retention in Nepalese commercial banks. Chi-square test revealed association between the dependent variable i.e., employee retention and the independent variables i.e. demographic factors. It is concluded that factors such as age, marital status, academic qualifications, numbers of earning family members, residential status, monthly income, current position, experience, have relatively significant relationship with employee retention. However only two demographic variables i.e job status and gender did not have relationship with employee retention.

Hence, age, marital status, education, income, and years of service are all substantially correlated with retention factors. Yet, there is no connection between a worker’s gender and job status. According to a review of the literature, human resource management strategies are the most significant and effective way to affect employee retention in any firm. The management of human resources in Nepali commercial banks is thought to be based on these major components. In order to improve staff retention rates, productivity, and profitability margins for Nepalese commercial banks—which play a crucial role in the economic development of the nation—it is necessary to better understand retention and how it relates to demographic issues.

References


