

Rationale of Employee Turnover: An Analysis of Banking Sector in Nepal

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Abstract

The main purpose of this study is to elaborate the reasons for employee turnover in the banking sector of Nepal. The study has opted both primary and secondary sources of data to achieve the objective of the study. The structured questionnaires were used to collect the data from the sample banks. Meanwhile, different published and unpublished reports of the selected banks were used for the analysis. The collected data were analyzed with the help of MS-excel, and SPSS descriptive statistics. The finding of the study emphasized that employees tend to leave their current jobs due to the lack of proper environment and facilities provided by the banks. This study concludes that the Managers in the sample banks to some extent lack awareness regarding the prediction of employees' turnover intentions. Hence, it is recommended to make clear policies and a proper plan with reference to the effective payment & reward schemes and motivational strategies to minimize the employees' turnover.

Keywords: Employee turnover, environment, motivational strategy, Nepalese banks, strategy factors

1. Introduction

Employees tend to switch their jobs for the various reasons including better opportunities, low motivation and other social and financial reasons. This switching of job from one organization to other is known as an employee turnover. It is the responsibility of an organization to retain the competent workforce for the sustainable operation. Such competent Human capital can be an assurance of the productive performance. The frequent changes in HR structure can bring ample challenges for the organization and the management. Every industry faces employee turnover within its environment resulting both opportunity and challenges in terms of employee commitment. Generally, it is termed as turnover of an employee in an organization. Employee Turnover reflects the number of employees that is replaced by other employees in a given time frame (Agnes,1999). Employee turnover is the rate at which employees switch their workplace (Worrell, 2018). Such a process can have positive as well as negative impact on the operation of an organization. The negative impact may hold the failure to capitalize the talent and prowess of the outgoing employee and possible financial burden when it comes to employee replacement (Armstrong, 2009; Branham, 2005). It is vital for employers to formulate the plan mitigate any possible hindrance that can occur due to the employee turnover. The ratio of employee turnover relies on the satisfaction level of each employee. When employees are satisfied with their Job, the turnover ratio is comparatively low and vice-versa. There is pragmatic that performance and job satisfaction are negatively related to the intention to leave. There might be voluntary and involuntary reasons behind such turnover. Employee can voluntarily leave an organization a spar their own initiated decision while organization can also act upon certain actions to terminate an employee. Meanwhile, Xiancheng (2010) stresses that the voluntary employee turnover is initiated by employees while the involuntary employee turnover is initiated by an organization with a motive to down size, cost cutting and below standard performance by employee.

The discussed literatures form a base for the fact that the proper environment is the key for the bank to retain its employees. There seems to be a high rate of employee turnover due to the dissatisfaction among the employees regarding their current working condition. In Nepal, there is a perception regarding general people having their faith in commercial banks as compared to other financial institutions. Banks are considered an organization with a proper system. The current ratio of employee turnover in the job market is comparatively high due to the increasing number of institutions. Skilled employees are more likely to build their career by switching from one job to another with an aim to achieve growth. This is the same case with the banking industry in Nepal too where there is a high ratio of employee turnover. Therefore, this study seeks to assess how turnover will have an impact on Nepalese Commercial Bank. Furthermore, this paper describes the factors to influence attitude and behavior of employees to leave their jobs in the sample banks.

2. Literature Review

Employee turnover has been an issue which is being faced by entrepreneurs throughout the world (Rana, 2015). Employee turnover is the ratio in which employees of an organization are replaced in a certain time frame (Price, 1977). Employee turnover has been an issue very organization is trying to mitigate. Employee turnover is the process of filling up the vacant position of an organization either voluntarily or involuntarily (Woods, 1995). Depending on the nature of an organization, employee turnover can have a negative or positive impact on organization (Mobley, 1982). Employee turnover is a significant parameter, which defines the employability of an organization as well as the other related working conditions. Organizations with operational inefficiency generally go through significant employee turnover (Alexander et al., 1994). Despite its negative attributes, employee turnover can also be taken as a positive aspect in terms of eliminating unproductive employees. Such a kind of turnover can minimize the organizational operating cost (Milkovich & Boudreau, 1993). However, Khan (2014) stressed that there might be adverse effect of employee turnover on organizational performance. In addition, there is also a significant association between employee, motivation, synergy between employee values and organizational value (Worrell, 2018).

According to Surline (1999), the loyalty of employees depends on the degree of involvement in decision making that employers wish to delegate. In this regard, when employees are not satisfied with the amount of authority delegated, the turnover tends to be on a higher side. The employee turnover brings with it certain social and financial obligation for an organization. The cost such as recruitment process compliance, training and developments can have materialistic impact on an organization. When an employee leaves the organization, it is assumed that the productivity declines for a period due to the preparation time taken by the new employee. Meanwhile, the outgoing competent employee also takes with them the intellectual assets which is tough to regenerate. Adding on to this, there is always a chance that competitors are looking for an opportunity to capture such turnovers in their favor (Stovel & Bontis, 2002). Hence, it is a tough task for HR department to manage employee turnover in an organization. There are various types of turnover that organization needs to identify before employee leave the organization. The turnover may be voluntary and involuntary, internal and external Opportunity, and it may be due to skilled and unskilled employee in the organization.

Employees transfer can be voluntary and involuntary in an organization. When an employee decides to leave the organization with his willingness, it is called voluntary turnover, whereas involuntary turnover is the termination of an employee where there is no choice but to terminate the employee in the organization.

Internal and external turnovers of an employee take place when opportunity arises within or outside the organization. Internal turnover is linked to the opportunity provided by the organization to fill up a new roles and designation within the organization. It can have both positive and negative impact or feeling for an employee in the organization. The feeling of getting a new status or position or a role boosts the morale of the employee and it brings the change in task assigned and supervision. Similarly, the employee may hold a grudge and may halt the project or create a problem with the negative feeling. The consequence of such internal turnover may be significant, but the organization needs to monitor both internal and external turnover. While external turnover occurs due to opportunity outside the organization in which an employee leaves for better working environment and status provided by the organization.

The turnover of an employee is high in unskilled employee fraternity as they face high turnover usually an employee is “contract staff”. Such employees are not considered as a permanent staff and may be deprived of the facilities enjoyed by their counterparts. Employers do not necessarily need to stress out regarding such employee turnovers. However, when there is a high turnover in terms of skilled manpower, employers need to take a serious note on it as it may hamper the organizational operation. The skilled and competent human resources are always a scarce resource for any industry. Therefore, this study could find significant factors to both banks and employees.

3. Research Methodology

The purpose of this study is to identify significant factors to psychologically influence employee to leave the current bank. To achieve the targeted objective of the study, the research has been conducted using the descriptive research design. For the analysis, primary data have been gathered through questionnaire which is filled up by the employees at different levels of NIC Asia Bank Ltd. and NABIL Bank Ltd. The selected banks are chosen out of 27 commercial banks on the ground of their diverse shareholding pattern. The researchers have prepared the questionnaire in simplistic form which is understandable by all levels of employees. Secondary data have been gathered from unpublished sources like human resources department and published sources like annual report of the selected banks. This research paper has covered qualitative methodology in a greater extent and also used the descriptive research design based on both technical and logical aspect.

Table No. 1: Employee Turnover in NABIL Bank Limited

Types	2073/74	2074/75	2075/76	2076/77	2077/78
Compulsory	97	95	96	94	98
Self- resignation	26	17	13	30	40
Death	6	14	8	20	15
Dismissal	1	1	2	1	2
VRS	0	0	0	18	10
Total	130	127	119	163	165
Male	89	91	78	92	96
Percentage	68.46	71.65	65.55	56.44	58.18
Female	41	36	41	71	69
Percentage	31.54	28.35	34.45	43.56	41.82
Total noof employees	2602	2475	2356	2280	2180
Percentage of turnover	5.00	5.13	5.05	7.15	7.57

Source: Survey

Table1 reflects the information regarding the total number of employee turnover in five years based on types and gender. By observing the five years’data for 2073/74 to 2077/78 the total number of turnover due to VRS is 28,480 from Compulsory, 126 from self-resignation,7 from dismissal and 63 from death.The total number of male turnovers for 5 years is 446 which is 63.35 percentage of the total employee turnover. Similarly, the same of female is 258 which 36.65 percentage of total is employee turnover. The rate of turnover for 5 years is in fluctuating trend, 5.00 percentage in year 2073/74, 5.13 percentage in year 2074/75, 5.05 percentage in year 2075/76, 7.15 percentage in year 2076/77 and 7.57 percentage in year 2077/78.

Table 2: *Employee Turnover in NIC Asia Bank Limited*

Types	2073/74	2074/75	2075/76	2076/77	2077/78
Compulsory	0	0	0	15	13
Self-resignation	20	59	32	38	22
Death	0	0	0	15	22
Dismissal	0	0	0	1	2
VRS	0	0	0	20	11
Total	20	59	18	89	70
Male	13	50	18	60	52
Percentage	65	84.75	56.25	67.41	74.28
Female	7	9	14	29	18
Percentage	35	15.25	43.75	32.59	25.72
Total noof employees	470	546	576	618	657
Percentage ofturnover	4.26	10.81	5.56	14.40	10.65

Source: *Survey*

Table 2 shows the information regarding the total number of employees and turnover in five years on the basis of gender in NIC Asia Bank. The rate of turnover for 5 years is in fluctuating trend, 4.26 percentage in year 2073/74, 10.81 percentage in year 2074/75, 5.56 percentage in year 2075/76, 14.40 percentage in year 2076/77 and 10.65 percentage in year 2077/78.

Table 3: *Factors Affecting Employee Turnover*

Factors	Mean		
	NABIL	NIC	Total Mean
Financialrewards	6.80	6.7	6.75
Otherbenefits	5.18	4.39	4.78
Natureofwoks	4.59	4.80	4.69
Transferdecision	3.26	2.98	3.12
Relationship with co-workers	2.9	2.6	2.75
Careeropportunity	6.52	6.62	6.57
Workenvironment	4.28	5.26	4.77

Source: *Survey*

Table 3 reflects the mean values of the seven different factors responsible for the employee turnover based on different banks .In NABIL financial reward got the highest mean value of 6.80 indicating the highest priority factors of the employees on deciding whether to continue or leave the job. And the least priorities have been given to the relationship with co-worker with the mean value of 2.9. In NIC Asia financial reward got the highest mean value of 6.7andleast priority is given to the factor: relationship with co-workers resulting in the mean value of 2.6.

The result shows that financial reward has the highest mean value of 6.75, then after career opportunity got the mean value of 6.57, 4.78 for other benefits, 4.77 for work environment, 4.69 for nature of work,3.12 for transfer decisions, and the least mean value 2.75 to relationship with co-worker. From this finding, we can rank the factors of employee turnover in the Nepalese commercial bank where the financial reward seems to be the most driving factor for turnover decision and then opportunity in the market, broad study and other relevant factors respectively.

4. Conclusions

The present study of the research seeks to assess how turnover will have an impact on Nepalese Commercial Bank. Both primary data and secondary data are used to attain the objectives of the study using the structured questionnaire. The employee turnover has been a burning issue in the banking sector of Nepal for a number of years. Switching of qualified and experienced employees from one commercial bank to another commercial bank and other related financial sector is relatively high. Such trend can inversely affect the overall performance of an organization. Hence, it is essential to assess and identify the factors that trigger employee turnover. Meanwhile, it is also an important aspect to analyze impact of employee turnover on the performance and formulate the strategy to motivate and encourage competent employees to maintain its working relationship with an organization.

The banking industry has been playing a key role in the national economy of Nepal. In such a scenario, this study can have an important significance. The overall study of research through the collection of both primary and secondary data supported to achieve the targeted objective .The collected secondary data from sample commercial bank: NABIL and

NIC Asia helps to find out the trend of turnover in both sectors of banking. The study found that the trend of turnover in private owned bank is comparatively high. The turnover also depends on the other variables like age, gender, service period and the VRS launched by the bank. The effect of these turn variables on the turnover is analyzed clearly through the Secondary data.

From the findings, it is concluded that manager in sample banks to some extent lack awareness regarding to which job embeddedness predict employee turnover intentions. So, if banks do not encourage employees, there will be high rate of employee turnover. The result of this study helps to identify the major factors of turnover, its implication, the retention strategy applied by the banks and the overall perception of existing employees on employee turnover. The outcome of mean values, frequency, percentage, help to make clear conclusion about these factors. Through this research, it is revealed that employees prefer financial rewards and career opportunity to stay in an organization. To manage such situations, banking institutions should focus on career growth, fair incentive provision and job security of employees. Thus, different schemes and programs should be launched to keep the employees well satisfied inside the organization. This will result the higher employee productivity as well as better organizational efficiency. It is because these are the things that play a key role to determine whether they are satisfied or not with the present job and banking environment.

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