

## Employees' Turnover Intention in Nepalese Commercial Banks

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### Abstract

This paper attempts to investigate the factors influencing the employees' turnover intention in Nepalese commercial banks. It has employed descriptive and causal comparative research design to estimate the relationship between dependent (employees' turnover) and independent variables (compensation, organizational justice, organizational culture, leadership empowerment behavior, job stress). To achieve the purpose of the study structured questionnaire was prepared and distributed to 540 respondents of 27 commercial banks but only 300 usable questionnaires are received. Mean, standard deviation, correlation and multiple regression model are used to analyze the data. Employees' turnover intention is positively and significantly correlated with all independent variables. It is found that organizational justice is the most influencing factor followed by organizational culture whereas compensation is the least influencing factor for employees' turnover intention in Nepalese commercial banks. This study is an endeavor to extend the literature of employees' turnover intention in banking industry.

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**Keywords:** : Employee turnover, Compensation, Organizational justice, Organizational culture, Leadership empowerment behavior, Job stress.

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### Introduction

For last few decades employees' turnover has been one of researchable issue for researchers and practitioners. Prior research has linked employees' turnover with different predictors. It is the major issue whether the turnover is voluntary or involuntary. According to Tett and Mayer (1993) turnover intention or intention to quit or leave is an individual desire or willingness to leave or quit employer organization. Employee turnover refers to the number of percentage of workers who leave an organization and are replaced by new employees. Employee turnover within an organization can be voluntary or involuntary. Voluntary turnover, according to Heneman (1998), termination initiated by employees whereas involuntary turnover is the one in which employee has no option in the termination as it might be due to long term sickness, death, migrate to other countries, or employer initiated termination. A number of terms had been used for employee turnover, such as quits, attrition, exits, mobility, migration or succession (Morrell, John, & Adrian, 2004). Marti et al, 2009 (as cited in Abebe, 2019) stated that weak management practice is more responsible to employee turnover in regarding to controllable factors such as pay, nature of work, supervision, organizational commitment, distributive justice, and procedural justice. Albrecht and Andreetta (2010) found that leadership empowerment behavior influenced employee empowerment,

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affective commitment and turnover intention. In additions, Mare (2007) suggested that as leadership empowerment behavior increased, the turnover intention decreased. Therefore, leadership was an important role in building employees' perceptions and responses to organizational change (Aarons, 2006). However, Kim and Fernandez (2017) advocated that employee empowerment has negative direct and indirect effects on employees' turnover intention.

Job stress is also an important factor that led the bank employees to quit the job. Ab Rahman, 2012 (as cited in Mohamada, Chab, Ramlanc, & Azmid, 2014) indicated that the heavy workload and stringent time frame to meet the deadline were the main factors behind employee turnover intention in the commercial bank and Yokongdi, and Shrestha (2020) observed job stress had a positive influence on bank employees' turnover intention. Similarly, Firth, Mellor, Moore, & Loquet (2004) revealed that job stress may be result of work exhaustion and anxiety from one's job. Additionally, organizational culture affected different employee attitudes, such as job satisfaction and turnover intention (Cameron & Freeman, 1991). Organizational culture consisted of a combination of values, beliefs, assumptions, and underlying interpretive processes that characterized an organization (Bligh & Hatch, 2011) and it has a detrimental and critical influence on intention to turnover (Vizano et al., 2020). There is a significant association between organizational culture and employees' turnover (Ndife, 2020; Podder & Rahman, 2015). Likewise, Igbaria and Greenhaus (1992) showed that job satisfaction rather than organizational commitment was related to the actual turnover among employees.

However, Koh and Goh (1995) found a negative relationship between job satisfaction and employees' turnover intention. It was very important for employee to perceive the procedure in an organization as fair and justice to retain in organizations (Cropanzano & Greenberg, 1997). The finding was further supported by Kim and Leung (2007) who reported that an organizational justice; was negatively related to employees' intention to leave the organization. However, Podder and Rahman (2015) found organizational justice is positively associated with turnover intention and it depend upon managers' organizational justice. In line, this paper has been identified five factors (leadership empowerment behavior, compensation, organizational justice, organizational culture, job stress) affecting turnover intentions of employees among Nepalese commercial Banks. There is no consistency in the results of various studies regarding the employees' turnover intention. Moreover, research has been done concerning to the issues in western context; however, very few research has been done in Nepalese context. Hence, this paper attempts to examine employees' turnover intention in Nepalese commercial banks.

## Research Hypotheses

*This research has set following hypotheses:*

*H<sub>1</sub>: There is a negative relationship between leadership empowerment behavior and employee turnover*

intention.

H2: There is a positive relationship between job stress and employee turnover.

H3: There is a positive relationship between organizational culture and employee turnover.

H4: There is a positive relationship between organizational justice and employee turnover.

H5: There is a positive relationship between compensation and employee turnover.

## Methods

This study has adopted descriptive and analytical research design for fact finding and identifies information about factors influencing employees' turnover intention. Similarly, causal comparative research design has used to find out the cause and effect relationship between employee turnover and independent variables. Data are collected from 300 respondents (questionnaires were distributed to 540 respondents i. e. response rate was 55.56 percent) of 27 Nepalese commercial banks through structured questionnaire survey which contains the respondent related information through tick mark questions, and variables related information through five point Likert scale questions which scale ranges from 1 (strongly disagree) to 5 (strongly agree). Weighted average, minimum and maximum value, standard deviation, correlation and multiple regression models are used to analyze the data. The relationship between dependent and independent variables are analyzed in multi – step regression analysis. The model used in this paper is:

$$ETI = \alpha + \beta_1 COM + \beta_2 LED + \beta_3 OC + \beta_4 OJ + \beta_5 JS +$$

Where, ETI = Employees turnover intention; COM= Compensation; LED = Leadership empowerment behavior; OC = Organization culture; OJ = Organizational justice; JS = Job stress;

=Error term,  $\alpha$  = intercept term, and  $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  = Beta coefficients

## Results and Discussions

### *Factors Influencing Employees' Turnover Intention*

The mean value of compensation ranges from minimum of 3.93 to the maximum of 4.33 where weighted average mean value for the aspects of compensation is 4.11 which indicate that aspects of the compensation are satisfactory. The mean value of leadership empowerment behavior ranges from minimum of 4.51 to the maximum of 4.74 where weighted average mean value for the aspects of leadership empowerment behavior is 4.59 which indicate that aspects of the leadership empowerment behavior are satisfactory. The mean value of organization culture ranges from minimum of 4.42 to the maximum of 4.74 where weighted average mean value for the aspects of organizational culture is 4.61 which indicate that an aspect of organizational culture is satisfactory.

The mean value of job stress ranges from minimum of 3.75 to the maximum of 4.38 where weighted average mean value for the aspects of job stress is 4.14 which indicate that aspects of job stress are satisfactory. The mean value of organizational justice ranges from minimum of 4.41 to the maximum of 4.82 where weighted average mean value for the aspects of organizational justice is 4.65 which indicate that aspects of organizational justice are satisfactory. The mean value of employees' turnover intention ranges from minimum of 4.24 to the maximum of 4.46 where weighted average mean value for the aspects of employees turnover intention is 4.34 which indicate that aspects of employees' turnover intention are satisfactory.

### Measurement of Relationship

The Pearson correlation coefficients have been conducted and the results are presented in Table 1

Table 1

Pearson's correlation matrix for the factor influencing employees' turnover intention in Nepalese commercial banks

*This table shows the correlation between dependent variable (Employees' turnover intention) and independent variables (Compensation, leadership empowerment behavior, organization culture, organizational justice, and job stress).*

Variables	Mean	Std. Deviation	COM	LED	OC	JS	OJ	ETI
COM	4.11	.40159	1					
LED	4.59	.36195	.617*	1				
OC	4.61	.36751	.341*	.295*	1			
JS	4.14	.48759	.189*	.109*	.661*	1		
OJ	4.65	.43144	.423*	.356*	.499*	.437*	1	
ETI	4.34	.37349	.263*	.167*	.306*	.244*	.414*	1

\*Significant at 1% level (2-tailed)

Table 1 states that organization justice has the highest average mean value i. e. 4.65 and it is positively correlated with employees' turnover intention (0.414) which is also significant at 1 percent level. However, compensation has the average mean value of 4.11 which is the lowest value among all independent variables and it is positively correlated with employees' turnover intention (0.263) which is also significant at 1 percent level. Similarly, all other independent

variables are also positively correlated with employees' turnover intention and significant at 1 percent level.

Table 2

Regression result of factor influencing the employees' turnover intention in Nepalese commercial banks.

(This table presents the regression results on employees' turnover intention by using the regression model:  $ETI = \alpha + \beta_1 COM + \beta_2 LED + \beta_3 OC + \beta_4 OJ + \beta_5 JS + \square$ , where,  $ETI =$  Employees turnover intention;  $COM =$  Compensation;  $LED =$  Leadership empowerment behavior;  $OC =$  Organization culture;  $OJ =$  Organizational justice;  $JS =$  Job stress;  $\square =$  Error term,  $\alpha =$  intercept term, and  $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5 =$  Beta coefficients).

Model	Intercept	COM	Regression coefficients of				Adj R <sup>2</sup>	SEE	F-value
			LED	OC	JS	OJ			
1	3.245 (8.839)	0.241 (2.711)*					0.0058	0.38	7.332
2	3.533 (8.351)		0.171 (0.649)				0.019	0.378	2.751
3	2.965 (7.511)			0.312 (3.219)**			0.089	0.37	10.37
4	3.492 (11.721)				0.188 (2.5020)*		0.048	0.38	6.29
5	2.778 (8.620)					0.361 (4.557)**	0.17	0.40	20.77
6	2.51 (5.161)	0.167 (1.781)		0.27 (2.459)*			0.104	0.39	6.877
7	2.941 (7.380)			0.261 (2.038)*	0.057 (0.569)		0.083	0.37	5.308
8	2.661 (7.440)				0.062 (0.759)	0.34 (3.762)**	0.18	0.33	10.618
9	2.779 (6.528)**	0.154 (2.069)*			0.211 (2.309)*		0.093	0.358	5.929
10	2.724 (6.218)**		0.019 (0.198)			0.351 (4.172)**	0.157	0.342	10.288
11	2.4631 (6.041)**			0.129 (0.988)	0.008 (0.71)	0.303 (3.251)**	0.19	0.35	7.399

\* Significant at 5 percent level of significance.

\*\* Significant at 1 percent level of significance.

Table 2 presents that value of intercept for compensation is 3.245 that indicates if compensation is zero the employees' turnover intention is 3.245 units. Studying employees' turnover intention with only one variable compensation then one unit change in compensation will change the employees' turnover intention by 0.241 units. The value of adjusted R<sup>2</sup> that shows the effect of independent variable on dependent variable, for compensation is 0.58 percent which reveals 0.58 percent of employees' turnover intention is explained by compensation and rest by other variables and it is also observed that compensation is the lowest impact on employees' turnover intention than other variables. Similarly, organizational justice has the greatest impact on employees' turnover intention among all the variables considered in this paper that is, it explains 17 percent for change in employees' turnover intention and rest by other factors. It is also found that one unit change in organizational justice will change employees' turnover intention by 0.361 units. Likewise, the effect on employees' turnover intention by combination of two variables (job stress and organizational justice) has the highest impact that the combination of other two variables. The combined effect of job stress and organizational justice has 18 percent. Similarly, the effect on employees' turnover intention is 19 percent by joint effect of the combination of three variables i. e. organizational culture, job stress, and organizational justice.

The result reveals that the compensation has positive impact on the turnover intention. This findings is consistent to the findings of Subedi (2015) but not consistent with the findings of Mobley, Griffeth, Hand, and Meglino (1979); Griffeth, Hom, and Gaertner (2000). The beta coefficient is positive for leadership employment behavior that shows the leadership employment behavior has positive impact on the employee turnover intention. However, this finding is not similar to the findings of Mare (2007); Klerk and Stander (2014). Similarly, the beta coefficient is positive for organizational culture which states that the organizational culture has positive impact on employee turnover intention and result is consistent to the findings of Madueke, (2013). Likewise, the beta coefficient is positive for job stress. This means that the organizational job stress, has positive impact on the employee turnover intention and it is consistent to the findings of Firth, Mellor, Moore, and Loquet (2004); Arshadi (2013); Mohamada, Chab, Ramlanc, and Azmid, 2014; Yokongdi, and Shrestha (2020). Similarly, the beta coefficient is positive for organizational justice which indicates that the organizational justice has positive impact on employee turnover intention, however, this finding is not similar to the finding of Kim and Leung (2007); Haar and Spell (2009) and consistent with the findings of Podder and Rahman (2015).

## Conclusion

It is found that employees' turnover intention of Nepalese commercial banks is positively and significantly correlated with compensation, leadership empowerment behavior, organization culture, job stress and

organizational justice. It is observed that organizational justice is the most influencing factor followed by organizational culture whereas compensation is the least influencing factor for employees' turnover intention. Because of contradictory results further research to be conducted to verify the results of existing research by increasing the sample size and including other variables.

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