

**FACTORS DETERMINING EMPLOYEE RETENTION OF  
DEVELOPMENT BANKS IN NEPAL**

**A Dissertation submitted to the Office of the Dean, Faculty of Management in  
partial fulfillment of the requirements for the Master's Degree**



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### CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “factors determining employee retention of development banks in Nepal”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

  
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## ACKNOWLEDGEMENT

I would like to express my profound gratitude to Ishtakul Deveta, Shree Udaydev Maharaj, and Lord Krishna for bestowing upon me a remarkable and abundantly blessed life. The Bhagavad Gita, a sacred scripture, has been my guiding light, inspiring me to lead a life of purity, strength, discipline, honesty, kindness, and integrity. I am deeply indebted to my supervisor, Assistant Professor Dr. Sunita Bhandari Ghimire, whose invaluable guidance, unwavering support, and inspiration have been instrumental in the successful completion of this dissertation. I extend my heartfelt appreciation to Research Head Prof. Dr. Mahananda Chalise and other esteemed members of the research committee for their constructive feedback and valuable input throughout the final stages of this dissertation.

Furthermore, I would like to express my sincere gratitude to Professor. Bhawani Shankar Acharya, Head of the Department, for providing me with the opportunity to undertake this research. I am also thankful to Assistant Professor Dr. Gangaram Biswakarma, Dr. Bharat Singh Thapa, and Dr. Bal Ram Duwal for their continuous guidance and supervision during the research process. I would like to extend my gratitude to Prof. Dr. Sanjay Kumar Shrestha, Prof. Dr. Achut Gyanwali, Prof. Dr. Puspa Raj Sharma, Dr. Bal Ram Chapagain, and Dr. Binod Sah for their selfless suggestions and support throughout my academic journey.

I am immensely grateful to all the respondents who generously participated in the questionnaire, as their valuable contributions significantly contributed to the successful completion of this research. I would like to acknowledge Principal Kumbh Bahadur Chand, Assistant Professor Hema Joshi, Assistant Professor Manish Ojha, Assistant Professor Indu Pathak, and Assistant Professor Dipendra Bahadur Chand of Far Western University Mahindranagar, Kanchanpur, for their encouragement and support in nurturing my research career. I am also delighted to express my gratitude to my teachers, Mr. Tek Chand, Mr. Arjun Singh Bhandari, Mr. Jagat Chand, Mr. Dinesh Raj Bhatt and Mr. Karan Chand, who have always believed in me and played a pivotal role in shaping my educational journey from the very beginning.

I would also like to extend my sincere thanks to my fellow graduates and friends for their direct and indirect assistance during the rigorous academic pursuit. Lastly, I am eternally grateful to my family. Their unwavering support, encouragement, and blessings have

been the cornerstone of my success. I express my heartfelt appreciation to my parents, Mr. Nar Bahadur Chand and Mrs. Gobadi Devi Chand, my brother and sister-in-law, Mr. Dabbal Bahadur Chand and Mrs. Sapana Chand, and my sister, Mrs. Bimala Chand, for their immeasurable love and unwavering support.

Thank you all

I humbly accept full responsibility for any errors or shortcomings that may be present in this dissertation.

Prakash Bahadur Chand

August, 2023

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**ABBREVIATIONS**

ANOVA	Analysis of Variance
DBN	Development Bank of Nepal
ER	Employee Retention
ES	Employee Satisfaction
ERM	Employee Retention Management
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
HBL	Himalayan Bank Limited
HR	Human Resource
HRD	Human Resource Department
HRM	Human Resource Management
IT	Information Technology
LA	Leadership Approach
LO	Learning and Opportunity
NRB	Nepal Rastra Bank
PCL/+2	Proficiency Certificate Level/10+2
PM	Performance Management
SD	Standard Deviation
SHRM	Society for Human Resource Management
SMEs	Small and Medium-Sized Enterprises
SPSS	Statistical Package for the Social Science
SW	Salary and Wages
VIF	Variance Inflation Factor
WB	Work life Balance

## ABSTRACT

Retaining valuable employees has become crucial for organizations to thrive, grow, and succeed in today's competitive and rapidly changing business environment. These employees are often seen as the backbone of the organization, playing a vital role in its destiny. However, employee retention has become a major challenge due to the increased mobility of talent facilitated by globalization. This phenomenon has accelerated the rate at which employees switch jobs or leave organizations, creating a pressing need for companies to address this issue effectively. The study focuses on the problem of employee retention in development banks in Nepal. High employee turnover rates can be costly and pose challenges for organizations in terms of productivity, knowledge loss, and recruitment and training expenses. The research endeavors to achieve the following research questions:

What are the factors determining employee retention in development banks? What is the overall perception of employees regarding the employee retention practices of the banks? Is there a relationship between leadership approach, salary and wages, learning opportunities, employee satisfaction, and employee retention? Does leadership approach, salary and wages, learning opportunities, and employee satisfaction have an effect on employee retention in development banks in Nepal?

The study's objectives include assessing employee retention practices in development banks, investigating employee perceptions of retention practices, examining the relationship between various factors and employee retention, and analyzing the effect of these factors on retention. The research hypotheses propose that leadership approach, learning opportunities, salary and wages, and employee satisfaction significantly impact employee retention. The rationale for the study lies in the importance of retaining key employees for organizational stability and growth. Development banks play a crucial role in Nepal's economic development, and employee retention is vital for their success. Factors such as leadership approach, salary and wages, learning opportunities, and employee satisfaction can influence employees' decision to stay with an organization. By understanding these factors, the study aims to inform strategies and interventions to improve employee retention in development banks.

It also only examines selected factors related to retention, and the findings may not be applicable in an international context. The sample size and data collection techniques may

affect the generalizability of the findings as well. The research design includes descriptive and analytical approaches. The population consists of permanent employees in development banks in Nepal, and the sampling technique is purposive sampling. Data is collected through questionnaires and interviews, with a combination of primary and secondary sources. Data analysis involves descriptive and inferential statistical tools, including correlation analysis and regression analysis. The reliability of the instruments is tested using Cronbach's alpha, indicating high reliability. Validity is established through a thorough development process and expert feedback. The study aims to provide insights into the factors determining employee retention in development banks in Nepal and guide the formulation of effective retention policy and guidelines.

The study conducted in development banks in Nepal included 388 employees, with the majority being in the age group of 20-29 and a higher representation of males. Factors such as leadership approach, salary and wages, learning and opportunity, and employee satisfaction were found to have a significant positive impact on employee retention in the development banks.

***Keywords:*** *Employee Retention, Employee Satisfaction, Employee Turnover, Learning and Opportunity and Descriptive Statistics.*

## CHAPTER 1

### INTRODUCTION

In this chapter, we discuss the supportive elements of the thesis, such as the background of the study, problem statement, objective of the study, research hypotheses, rationale of the study, and limitation of the study. We also highlight the key factors and provide a brief structure of the thesis.

#### 1.1 Background of the Study

The term "employee retention" originated in the 1970s and early 1980s, and before that time, employees were seen as ordinary workers who worked for employers on their own terms. However, a new revolution in the job market during this period led to the emergence of the concept of employee turnover and the need for companies to focus on retaining their employees (McKeown, 2002). High employee turnover is one of the major problems (Fladetta et al., 2013). The term employee retention is essential for every organization for their long-term survival and organizational growth in the future. It is also supportive for making competitive advantage and their sustainability (Bhattarai and Ghimire, 2020).

According to Aswathappa (2005), human resource remains the key element of organizational success and employee retention is one of the emerging issues of any organizations, human resource management (HRM) is a crucial aspect of organizational management that involves the design, implementation, and management of programs, functions, and activities aimed at maximizing the effectiveness of both employees and the organization as a whole, at its core, HRM focuses on the recruitment, selection, training, development, retention, and compensation of employees, as well as managing relationships between employees and management, effective HRM practices can contribute significantly to organizational success by ensuring that the right people are hired, trained, and retained, and that they are motivated and engaged to perform at their best (Aswathappa, 2005). "This is a process, which consists of the acquisition, development, motivation and maintenance of human resource" (DeCenzo and Robbins, 2005).

Retaining talented employees has become a top priority for organizations as it contributes to their success and growth (Gentry et al., 2006). To achieve this, employers must focus

on attracting and selecting the best people while also creating an environment that encourages high levels of performance and one effective way to retain employees is to recruit policy-driven and perspective employees-policy-driven employees are those who are aligned with the organization's values, mission, and vision, these individuals are committed to following the company's policies and procedures, which helps to ensure consistency and efficiency in the workplace and perspective of employees, on the other hand, are those who bring new ideas, skills, and perspectives to the organization, these individuals can help to stimulate innovation, creativity, and growth and recruiting perspective employees, organizations can stay ahead of the curve and remain competitive in their industry(Gentry et al., 2006). The departure of skilled employees from an organization incurs direct and indirect costs, direct costs include expenses related to recruiting, selecting, orienting, and training new employees also indirect costs arise from the stress placed on remaining employees to handle increased workloads until new hires are made(Chowdhury and Nazmul, 2017).

A study conducted by(Pitambar, 2072), high employee turnover is a significant challenge for entrepreneurs globally, and Nepali entrepreneurs face even more difficulties in finding and retaining talent in the market, Nepali employees are more likely to leave their jobs for higher-paying opportunities in the non-profit sector or to pursue further education abroad and this is especially problematic for startups, as Nepali culture promotes job security and stability, leading many young graduates to prefer larger corporations like banks and business houses, also employee turnover can be a significant loss for an organization, leading to an unbalanced internal environment, the study aims to identify the factors that influence employee retention in the development bank of Nepal also this research will help Nepali entrepreneurs to understand the factors that lead to high employee turnover rates and take measures to improve employee retention(Pitambar, 2072).

## **1.2 Employee Retention in Development Banks of Nepal**

The banking sector plays a crucial role in Nepal's economic development, leading to an increase in the number of commercial banks due to liberal policies and a conducive environment, this growth has intensified competition among these banks and also to enhance its competitive advantage and meet customer and stakeholder expectations, HBL has introduced new products and services(Bhandari, 2022). According to Bhandari,

(2022) also highlighted that retaining of skilled employees has become a significant challenge for commercial banks in Nepal. Work-life balance is a vital and extensively researched factor that contributes to employee satisfaction and motivation and ensuring a favorable work-life balance for employees is essential for HBL to foster innovation, productivity, and retain competent staff(Bhandari, 2022).

The study conducted by(Sharma and Upadhyay, 2019), on the development bank of Nepal concluded that job satisfaction, work-life balance, and organizational culture were the three most important factors affecting employee turnover, the study suggests that if employees feel satisfied with their job, have a healthy work-life balance, and are in a positive organizational culture, they are more likely to remain with the organization.

The study "Employee Turnover in Nepalese Commercial Banks: An Empirical Study" conducted by Koirala and Karki (2018), identified compensation, job security, and work environment as the key factors affecting employee turnover in Nepalese commercial banks, including the development bank of Nepal and this implies that employees in the banking industry of Nepal are more likely to leave their jobs if they feel they are not being adequately compensated, have job insecurity, or are unhappy with their work environment, it is important for banks in Nepal to prioritize these factors to reduce employee turnover and retain skilled and experienced employees(Koirala and karki,2018; Sharma and Upadhyay, 2019). Improving compensation, providing job security, and creating a positive work environment can increase employee satisfaction, motivation, and commitment, which can lead to better job performance, productivity, and ultimately, the success of the organization(Koirala and Karki, 2018).

The study "Factors Affecting Employee Retention: A Study on Nepalese Commercial Banks" conducted by(KC et al., 2017), found that job satisfaction, organizational commitment, and work environment were the most crucial factors that influenced employee retention in Nepalese commercial banks, including the development bank of Nepal, this study highlights the importance of creating a positive work environment and ensuring that employees are satisfied with their jobs and committed to the organization, which can help reduce employee turnover rates and retain talented employees and employers who prioritize these factors may benefit from a more engaged and loyal workforce, resulting in improved productivity, customer satisfaction, and overall organizational performance(KC et al., 2017).

The research article by Bhandari and Ojha (2019), highlights the importance of job satisfaction, organizational commitment, and work-life balance in employee retention and

it found that employees who are satisfied with their job, committed to their organization, and have a good work-life balance are more likely to stay in their jobs, the findings of the study have practical implications for development banks in Nepal, as the authors suggest that focusing on these factors can increase employee retention and this is important because high employee turnover can have a negative impact on organizational productivity, morale, and overall success (Bhandari and Ojha, 2019). By prioritizing job satisfaction, organizational commitment, and work-life balance, development banks can create a positive work environment that fosters employee engagement and loyalty (De Vos and Meganck, 2008).

Similarly, another study by Shrestha and Shakya (2020), investigated the relationship between employee engagement and retention in the Development Bank of Nepal, the study found a positive relationship between employee engagement and retention, suggesting that improving employee engagement can lead to higher employee retention rates, the study recommended that the bank should focus on improving employee engagement by providing training and development opportunities, recognition and rewards, and a positive work environment (Shrestha and Shakya, 2020).

The initiatives that development bank of Nepal has implemented to improve employee retention are commendable. However, it is important to note that employee retention is an ongoing process, and it requires constant assessment and evaluation also there may be additional factors that influence employee retention, which may vary based on the bank's specific work environment and the needs and expectations of its employees (Adhikari and Paudyal, 2018). Employees express concerns about their workload, the bank may explore options such as hiring additional staff or providing additional training to help employees manage their workload effectively and if employees express dissatisfaction with their career growth opportunities, the bank may explore options such as providing more training and development programs or creating new roles within the organization, regularly assessing employee satisfaction and taking action to address areas for improvement, the bank can maintain a positive workplace culture and retain its employees and this can have numerous benefits, including increased productivity, higher employee morale, and improved customer satisfaction (Bhattarai and Ghimire, 2020).



### 1.3 Statement of Problem and Research Questions

According to a report by the Nepal Rastra Bank, the central bank of Nepal, as of mid-July 2021, there were 28 development banks operating in the country, with a total deposit base of NPR 329.74 billion and a total loan portfolio of NPR 292.51 billion, these banks have been actively involved in financing various sectors such as agriculture, hydropower, tourism, and small and medium-sized enterprises (SMEs)(NRB, 2021)

Development banks play a crucial role in Nepal's economic development by providing financial assistance to entrepreneurs, SMEs, and infrastructure development projects, According to the(NRB, 2020). The total loan disbursement of development banks in Nepal was NPR 329.68 billion, contributing significantly to the country's economic growth, employee retention is a significant challenge for development banks in Nepal and the study found that factors such as employee satisfaction, leadership approach, learning opportunities, and salary and wages were essential determinants of employee retention in development banks(Adhikari and Paudyal, 2018).

Employee turnover is a significant and complex issue faced by businesses today (Noe et al., 2003; Pitambar 2072; Mckeown 2002) . Its impact has garnered considerable attention from senior management, human resources professionals, and industrial psychologists and High turnover rates are not only costly but also present persistent challenges for organizations worldwide, in order to address this issue, companies implement training programs aimed at enhancing employees' job-related skills and competencies (Noe et al., 2003; Aburumman et al., 2020). Investing in employee training and development opportunities is considered crucial for employee retention, by offering such incentives, organizations anticipate a return on their investment and strive to achieve positive outcomes(Chalise, 2019).

Challenge of retaining key and valuable employees, which is a significant responsibility of the organization's HRM department and high employee turnover rates can result in direct and indirect expenses that can have a negative impact on the growth and development of the organization (Holzer et al., 2001; Nasir and Mahmood 2016). This issue is prevalent in all sectors of the economy, not just the banking sector and employees may leave involuntarily due to poor performance or unreliability resulting from work-family conflicts or personal issues, as well as voluntarily and the literature review highlights the serious problem of high employee turnover and emphasizes the need for the HRM department to address this issue to retain its key employees(Holzer et al., 2001).

So why this study has tried to answer the following research questions :

#### 1.4 **Research Questions**

1. What are the factors determining employee retention on development banks?
2. What is the overall perception of employees on the employee retention practices of the bank?
3. Does there exist any relationship between leadership approach, salary and wages, learning opportunity and employee satisfaction and employee retention?
4. Is there any effect of leadership approach, salary and wages, learning opportunity and employee satisfaction on employee retention in development banks in Nepal ?

#### 1.5 **Objectives of the Study**

The general objectives of the study are to assess employee retention practices in development bank of Nepal. The research endeavors to achieve the following goals.

1. To assess the factors that determine the employee retention on development bank in Nepal.
2. To investigate the overall perception of employees on the employee retention practices of the development banks.
3. To examine the relationship between leadership approach, salary and wages, learning opportunity and employee satisfaction and employee retention.
4. To analyze the effect of leadership approach, salary and wages, learning opportunity and employee satisfaction with employee retention on development banks in Nepal.

#### 1.6 **Research Hypotheses**

For this research work, the following are the research hypotheses:

H1: The Leadership approach has a significant impact on employee retention.

H2: Learning opportunities have a significant impact on employee retention.

H3: Salary and wages have a significant impact on employee retention.

H4: Employee satisfaction has a significant impact on employee retention.

### 1.7 Rationale of the Study

In situations of significant market growth potential, one of the primary responsibilities of management is to ensure the retention of key employees. Retention entails utilizing various strategies to persuade these valuable individuals to remain with the organization for an extended period, preferably a minimum of five years. As key employees serve as the intellectual core of the organization, it becomes crucial for management to prioritize employee retention as a top concern.

The proposed study aims to investigate the determining factors of employee retention in development banks in Nepal, specifically focusing on leadership approach, salary and wages, learning opportunity, and employee satisfaction. Understanding these factors is crucial as employee retention is vital for the stability and growth of any organization. By examining the leadership approach, the study can shed light on the effectiveness of management practices and their impact on employee retention. Salary and wages are significant as they directly influence an employee's motivation and financial well-being, thus affecting their decision to stay with the organization. Learning opportunities play a crucial role in professional growth and development, and employees are more likely to remain in an organization that invests in their skills and knowledge enhancement. Finally, employee satisfaction is a comprehensive measure of their overall experience within the organization, encompassing various aspects such as work environment, job security, and recognition.

The findings can notify targeted strategies, policies, and interventions to enhance retention efforts, serving as a benchmark for future research. The aim is to improve employee retention, reduce turnover, and foster a positive work environment within development banks in Nepal.

### 1.8 Limitations of the Study

Major limitations of the study are;

- The study considers only the few development banks in Nepal so that it does not claim to cover the characters of other types of the organizations.
- There are large lists of HR practices and Employee retention strategy but this study only considers the leadership approach, salary and wages, learning opportunity and employee satisfaction.

- Inadequate sample size and data collection techniques could also affect the generalizability of the findings. The finding can affect the implementation process of other organizations.
- The study heavily relies on literature and articles related to employee retention in the banking sector, which may not be specific to the context of Nepal. This limitation reduces the relevance and accuracy of the study's findings in international context.

## 1.9 Chapter Plan

### **Chapter One: Introduction**

In this chapter assign with the background information of subjective matter of research and provide common idea of its historical aspects. Correspondingly it also included statement of the problem, objective of the study, significance of the study, limitation of the study and chapter plan.

### **Chapter Two: Literature Review**

This chapter includes review of literature (books, articles, journal, report etc.) which incorporates the theoretical review, empirical review, and research gap.

### **Chapter Three: Research Methodology**

This section pertains to the approach and structure employed in conducting the research. It includes various techniques, nature and source of data, population, sampling methods, data collection instrument and procedure, research framework and definition of variable.

### **Chapter Four: Results and Discussion**

This chapter assign with the various techniques used in analyzing the collected data, major finding, and discussion of the sturdy.

### **Chapter Five: Summary and Conclusions**

Last chapter of the study assign with the summary and conclusion and its implications, Appendix and references are incorporated at the end of study.

## **CHAPTER 2**

### **REVIEW OF THE LITERATURE**

This chapter includes a review of literature, including theoretical review, empirical review, and research gap analysis. It examines books, articles, journals, reports, and other relevant sources.

#### **2.1 Conceptual Review**

Human resource managers are compelled to attract and retain competent employees with certain competencies that are crucial for the survival of the organization (De Vos and Meganck, 2008). Employees more focus on establishing their own career path rather than being loyal to the organization, thus they are more difficult to retain, some of the researchers in the field of business management and specially HR, debate that for effective retention management, creating the finest portfolio of HR practices is not only essential, but also managing employees' perceptions regarding their organization's promises for returning them for their loyalty and commitment is important (Yousuf and Siddqui, 2019).

The human resource is vital for organizations, as it determines the effective management of other assets and influences the organization's competitive position, employees' knowledge and skills appreciate over time, adding to the organization's human capital and retaining employees is more cost-effective than hiring new ones, especially in customer-focused industries like banking, where turnover can harm customer loyalty and trust as well as retaining employees in the service sector is crucial for maintaining customer commitment and ensuring continued service procurement (Gabriel and Evelyn, 2017).

Human resource management (HRM) is a crucial aspect of organizational management that involves the design, implementation, and management of programs, functions, and activities aimed at maximizing the effectiveness of both employees and the organization as a whole, at its core, HRM focuses on the recruitment, selection, training, development, retention, and compensation of employees, as well as managing relationships between employees and management also effective HRM practices can contribute significantly to organizational success by ensuring that the right people are hired, trained, and retained, and that they are motivated and engaged to perform at their best (Aswathappa, 2005).

According to (Aburumman et al., 2020), human resource management practices refer to a set of activities, functions, and processes aimed at attracting, developing, and maintaining an organization's human resources. Aburumman et al., (2020) argue that when human resources management (HRM) practices adopt a strategic role, their focus is on producing high performance in the near future, investments in human resources management practices contribute to the development of organization-specific human capital, improving employees' knowledge, skills, and abilities, reducing turnover, and increasing their motivation for work as well as effective human resources management (HRM) practices are those that aim to develop employees' abilities, provide opportunities, enhance motivation, and maintain a balance between their personal and professional lives. Hiltrop (1996) presents eleven practices for evaluating the effectiveness of human resources management, but this study specifically focuses on four practices: compensation, performance appraisal, promotion, and training & development. These four practices are chosen for their strong relevance to the study's variables. They are believed to have the potential to motivate employees, retain them in their roles, and offer them a sense of security, independence, continuity, and opportunities for career satisfaction, various studies support the effectiveness of these practices in promoting employee engagement and retention (Aburumman et al., 2020).

It is widely acknowledged that the actions taken by an organization's HR department can have a direct or indirect impact on the overall performance of the organization (Hiltrop, 1996). Doty and Delery (1997) have suggested that there are numerous possible combinations of HR practices that can yield similar organizational outcomes. Becker and Gerhart (1996) argue that previous research has primarily concentrated on individual HR practices, with little consensus on the specific practices that constitute a cohesive HRM system. However, they propose that equal attention should be given to HRM policies, as they are also crucial in shaping organizational outcomes (Pandey, 2014).

The phenomenon of employee retention has been extensively studied, with numerous factors contributing to an employee's decision to stay or leave an organization, these factors often only explain a small portion of the turnover rate and fail to account for the complex psychological processes at play (Nasir and Mahmood, 2016). Employee retention is a multidimensional issue that cannot be explained by a single factor alone and key factors contributing to retention include strategy, pay, benefits, organizational culture, and career development, retention is a challenge that organizations face due to increased

employment opportunities in a global learning society, as a result, organizations must focus on improving retention in order to enhance efficiency (Nasir and Mahmood, 2016). The long-term success of an organization depends on the retention of key employees, who contribute to customer satisfaction, organizational performance, and effective succession planning, employee retention is the process encouraging employees to stay with the organization for an extended duration or until the project's completion is seen as a priority, as discussed by (Bidisha and Baruah, 2013).

Employee retention is perceived as a commitment to maintain a long-term relationship with the company and to continue collaborating on a regular basis. Happy and satisfied employees are more dedicated to their work and improve organizational customer satisfaction also retention is defined as customer liking, identification, commitment, trust, readiness to recommend, and repurchase intentions as well as organizations must take great care in retaining valuable and good employees who are increasingly becoming more difficult to find as well as managing and retaining promising employees is an important fundamental means of achieving competitive advantage among organizations, the most vital and dynamic human resources must be motivated and dedicated, and appropriate employee retention strategies can be adopted to ensure employees remain and work towards successful organizational goals with the human resource department plays an active role in retaining its employees by making policies for the objective is to enhance employee well-being and satisfaction within the organization, leading to increased employee retention and longer tenures with the firm (Bidisha and Baruah, 2013).

A research conducted by Dhakal and Joshi in (2019), Engaged employees are more committed to their organization and are more likely to remain with the organization for a longer period. Dhakal and Joshi in (2019) also argue that study found that employee engagement positively influences employee retention in Nepalese commercial banks, including development banks, the study recommends several strategies that development banks should adopt to engage their employees- First, development banks should involve their employees in decision-making processes, which will help to increase their sense of ownership and involvement in the organization's affairs, this will lead to increased motivation and job satisfaction, resulting in higher levels of engagement. Secondly, development banks should provide opportunities for skill development to their employees. This will help employees to enhance their knowledge and skills, leading to greater job satisfaction and higher levels of engagement. Additionally, employees who

feel that they are being invested in are more likely to remain loyal to the organization. Lastly, promoting work-life balance is another recommended strategy for engaging employees in development banks. Providing flexible work arrangements and encouraging employees to maintain a healthy work-life balance can lead to increased job satisfaction and reduced turnover (Dhakal and Joshi, 2019).

(Stauss et al., 2001), describes six factors that are important for businesses to consider when analyzing customer behavior and loyalty, the first four factors - customer liking, identification, commitment, and trust - are emotional and cognitive in nature and reflect how customers feel about the brand. The last two factors - readiness to recommend and repurchase intentions - are behavioral in nature and reflect actual actions customers may take. By understanding and measuring these factors, businesses can gain insight into customer loyalty and make decisions that promote long-term customer relationships (Stauss et al., 2001).

Employee retention refers to the ability of an organization to retain its employees over a significant period of time, it implies the existence of an ongoing employment relationship between the employee and the organization, where the employee is motivated and satisfied with their job, and therefore has no reason to leave the organization voluntarily and the term retention means that the employee is choosing to stay with the organization for a prolonged period, rather than seeking opportunities elsewhere. This is usually achieved by creating an environment where employees feel valued, recognized, and motivated to contribute to the success of the organization (Huang et al., 2006).

According to Hasan et al. (2021), employees who are satisfied with their jobs are less likely to leave the organization. The study examined the impact of job satisfaction on employee retention in Nepalese commercial banks, including development banks. (Hasan et al., 2021), further highlights that job satisfaction is linked to various factors such as organizational culture, leadership, work-life balance, career development, and compensation as well as employees who feel valued and recognized for their contributions, have a sense of job security, and have opportunities for growth and development are more likely to be satisfied with their jobs and, therefore, more likely to stay with the organization and the study's results have important implications for development banks in Nepal and other organizations that seek to retain their employees and to improve employee retention, these organizations need to focus on creating a positive work environment that fosters job satisfaction also this can be achieved by investing in employee training and development, offering competitive compensation



packages, recognizing and rewarding employee performance, promoting work-life balance, and creating a supportive and inclusive organizational culture (Hasan et al., 2021).

Thus, job satisfaction is a crucial factor that significantly influences employee retention in development banks in Nepal. Organizations that prioritize job satisfaction and create a positive work environment are more likely to retain their employees, which is essential for their long-term success and sustainability.

## **2.2 Empirical Review**

Development banks play a crucial role in promoting economic growth and development in many countries, including Nepal. However, the success of these institutions depends on various factors, such as leadership approach, salary and wages, learning opportunities and employee satisfaction. In this empirical review explore how these factors affect the performance and development of development banks in Nepal.

### **Leadership Approach**

According to Eisenberger, Fasolo, and Davis-LaMastro (1990), the relationship between employees and their supervisors greatly impacts how employees perceive the organization. McNeese-Smith (1995) discovered that the attitude of a hospital manager can enhance employee commitment to the organization. Similarly, Kaye and Jordan-Evans (2002) emphasized the importance of being a good boss to positively affect employee retention. Duffield and O'Brien-Pallas (2003) specifically identified participative leadership as a contributing factor to employee retention, a view supported by Kroon and Freese (2013). Andrews and Wan (2009) noted that management has a decisive role in employee retention, with both leadership style and management support playing a part. Employee involvement in decision-making processes has been found to motivate them to stay within an organization, as observed by Noah (2008), who highlighted that participation fosters a sense of belonging, loyalty, and retention (Bodjrenou et al., 2016).

The study by Bhandari and Koirala (2019) highlights the significance of effective leadership in the success of development banks, specifically in Nepal, the research reveals

that a transformational leadership approach is more effective in promoting employee motivation and performance than a transactional leadership approach and transformational leaders inspire and motivate their subordinates to perform better and achieve organizational goals by providing a clear vision, communicating effectively, and fostering a positive work environment and these leaders focus on individual growth and development, promoting creativity and innovation, and encouraging their employees to take ownership of their work, also this approach creates a sense of commitment and dedication among employees, leading to improved performance and job satisfaction.

### **Salary and Wages**

"higher levels of pay were positively related to employee retention," as well as other factors such as job security, training and development, and opportunities for advancement(Datta et al., 2005).

Compensation refers to the overall package of financial and non-financial rewards that employers provide to their employees in exchange for their work(Shrestha and Shakya, 2020). It can be categorized into three types: direct financial compensation, indirect financial compensation, and non-financial compensation (Chand, 2015). According to Collin and Clark (2003), performance-based compensation is widely used in human resource practices to evaluate and reward employee productivity. Delery and Doty (1996) discovered that a compensation system helps improve employee performance, which is further supported by Becker and Gerhart (1996) who found a positive relationship between performance-based compensation and company performance. Moreover, incentive compensation has been shown to have a positive impact on organizational performance, reducing employee turnover and increasing sales growth (Batt, 2004). Performance-based compensation is recognized as one of the most effective human resource practices (Delery & Doty, 1996). It is considered the strongest predictor of firm performance. HR practices, including compensation, have significant effects on employee outcomes and corporate performance (Huselid, 1995). Teseema and Soeters (2006) conducted a study that also found a connection between compensation practices and perceived employee performance(Kadiresan, 2016).

According to Ouchi (1981), a salary refers to a fixed payment given to an individual in exchange for the services or work they have performed, these salaries can be calculated on a weekly, monthly, or yearly basis and serve as a means to hire employees, a salary

represents the income one earns from their job. There exists a reciprocal relationship between employees and companies, where employees offer their work or knowledge to companies in return for monetary compensation or profits that can fulfill their needs and enhance their quality of life (Handoko, 2009). Hasibuan and Hasibuan (2016) define a salary as a regular payment made to permanent employees who hold a permanent guarantee, it serves as a monetary reward granted to employees for the work they carry out within a company or organization. The specific amount of salary is determined through an agreement between the employee and the company and may vary based on factors such as position, experience, and performance (Emmy, 2023).

### **Learning Opportunities**

A study conducted by Shrestha et al. (2021), investigated the impact of learning opportunities on job satisfaction and organizational commitment among employees in development banks in Nepal, the study found that employees who perceived their learning opportunities positively were more satisfied with their jobs and committed to their organizations and the study highlights the importance of providing learning and training opportunities for employees to enhance their professional growth and development.

Investing in employee training and development is a crucial factor in ensuring employee retention within an organization-such investments are made with the expectation of obtaining returns and achieving positive outcomes the training, as defined by Noe et al. (2003), involves a planned effort by the company to enable employees to learn job-related skills and competencies. The goal of training is for employees to acquire and apply the knowledge, skills, and behaviors emphasized in the training program to their daily work, development encompasses formal education, job experiences, relationships, and the assessment of personality and talents also these developmental opportunities assist employees in preparing for their future within the organization (Chalise, 2019).

Investing in employee training and career development is crucial for retaining employees, organizations are motivated to invest in training and development programs only for those workers who are expected to yield a return on the investment (Messmer, 2000). Clark (2001) suggests that organizations are focusing on the development of talented employees by analyzing their skills, considering their interests, identifying development needs, and conducting comprehensive assessments of their capabilities. Wetland (2003) proposes

that both firms and individuals invest in human capital through training, as it enhances employees' skills. When organizations hire employees with the intention of improving their skills, they need to initiate training programs (Goldstein, 1991). According to Noe (1999), employees are motivated to acquire new knowledge and skills that they can apply to their jobs and share with others. Research studies indicate that organizations often delay employee training programs to assess whether the personal values of workers align well with the organizational culture, thereby reducing employee turnover intentions (Muhammad and Fahad, 2007).

### **Employee Satisfaction**

A study aims to explore the impact of employee satisfaction on customer satisfaction, despite previous studies showing a strong positive correlation between the two (Chi & Gursoy, 2009; Jeon & Choi, 2012). Furthermore, there is a lack of research investigating the factors that contribute to employee satisfaction and how these factors influence customer satisfaction. It is crucial to recognize that employee satisfaction is not a random occurrence (Chi & Gursoy, 2009; Jeon & Choi, 2012). Therefore, it is necessary to examine and evaluate the precursors of employee satisfaction and their interconnected outcomes, as emphasized by various scholars. Alshurideh and colleagues conducted a study in 2012, Ammari and co-authors also conducted research in 2017, while Widarto and Anindita carried out their study in 2018. Specifically, this research aims to contribute empirical knowledge on employee and customer satisfaction by exploring the relationship between employee satisfaction and customer satisfaction within an emerging market (Barween et al., 2020). This objective was accomplished by examining several key requirements for employee satisfaction, including communication, rewards, employee loyalty, retention, and commitment (Barween et al., 2020).

According to Poudyal and Poudel (2021), employees who were satisfied with their work environment, including physical facilities, coworker relationships, and supervisor support, were more likely to experience job satisfaction and commit to their organization, job security was also found to be a crucial factor in promoting employee satisfaction, which in turn positively impacted job satisfaction and organizational commitment, the study also found that some development banks in Nepal face challenges in providing a conducive work environment and job security to their employees also these challenges include a lack of financial resources, inadequate training opportunities, and limited promotion prospects,

bureaucratic procedures, high workload, and insufficient job recognition were found to negatively impact employee satisfaction, leading to a decline in job satisfaction and organizational commitment(Poudyal and Poudel., 2021).

## **2.3 Theoretical Review**

### **2.3.1 Maslow's Hierarchy of Needs Theory**

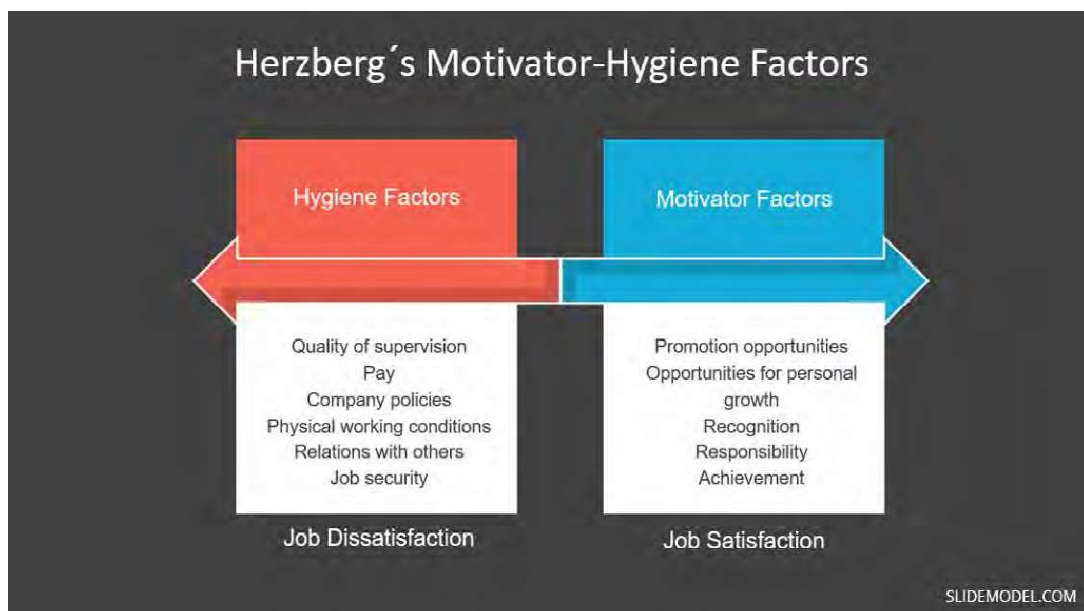
The motivational elements are broken down into five levels according to Maslow's Hierarchy of Needs Theory (Azeez, 2017). Physiological, safety, love and belongings, esteem, and self-actualization are the five degrees of needs that drive employee motivation (Ttefan, Popa, & Albu, 2020). According to Aburumman, Salleh, Omar, and Abadi (2020), the Hierarchy of Needs theory supports HRM strategies including career and growth, training and development, as well as reward and compensation. Maslow believed that in order to fulfill and drive employee retention, a lower-level need must first be satisfied before moving on to a higher-level need (Noltemeyer, James, Bush, Bergen, Barrios, & Patton, 2021). Furthermore, according to Maslow's theoretical ideas, gratifying prepotent needs is essential before moving on to the next stage.(Hassan, 2022).

### **2.3.2 Herzberg's Two Factor Theory**

According to Herzberg's Two-Factor Theory of Motivation, successful employee retention tactics should take into account both intrinsic and extrinsic aspects. Motivators and hygienic elements are the two key aspects that the theory highlights. Employees are given meaning by motivators, often referred to as satisfiers, which are connected to the duties of the position. They consist of elements like approval, success, the work itself, accountability, development, and growth. Alternatively, hygiene aspects are extrinsic components that, when lacking, may result in discontent but do not always inspire motivation. Salary, job security, working conditions, and business policies are a few examples of hygiene factors. Management should concentrate on offering both motivators and hygienic aspects to create a fulfilling and meaningful work environment in order to effectively retain personnel. The two-factor theory by Herzberg suggests(Esther, 2021).

**Table 2.1 : Summary of the Theory**

Theory	Main variables	Implication on the current study
Herzberg two factor theory	<b>The main variables:</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Leadership Approach</li> <li><input type="checkbox"/> Compensation</li> <li><input type="checkbox"/> Work environment</li> </ul>	Employee retention is influenced by training and development, compensation and work environment.

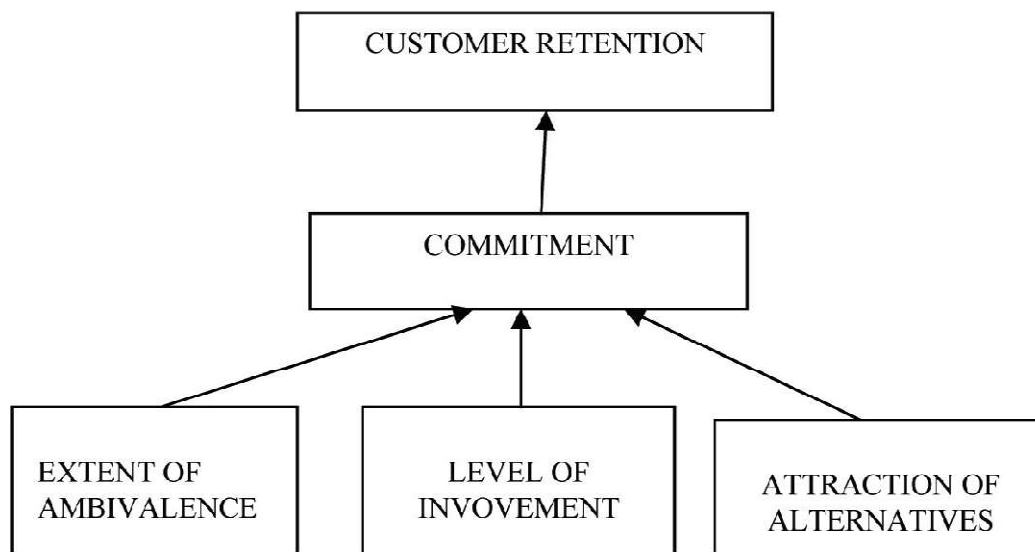
**Figure 2.1 : Herzberg's Two Factor Theory**

### 2.3.3 Conversion Model

(Richards, 1996), proposed a conversion model that challenges the idea that customer satisfaction alone is enough to predict customer behavior. Instead, Richards argues that customer commitment should be the focus of firms. (Payne, 2006), agrees that customer satisfaction contributes to customer commitment, but it takes more than satisfaction to build committed customers.

Richards identified three factors that drive customer commitment: level of involvement, attraction of alternatives, and extent of ambivalence. The level of involvement in the

brand and category plays a significant role in driving commitment. According to Richards, highly involved customers are more likely to carefully choose and stick with their choices, even if they are dissatisfied. They will prioritize repairing the relationship rather than seeking alternatives. In contrast, customers who are both dissatisfied and uninvolved are more likely to switch providers without attempting to fix the relationship. Richards' model emphasizes the importance of customer commitment over mere satisfaction. Factors such as involvement, attraction of alternatives, and ambivalence influence customer commitment and determine their behavior towards a brand or provider.



Source: Richards, 1996.

**Figure 2.2 : Richard's conversion model**

#### 2.4 Human Resource Practice and Employee Retention in South Asia

Singh (2019), study explores the influence of human resource practices on employee retention within the Indian hotel industry, the findings indicate that effective HR practices, including training and development, performance appraisal, and compensation and benefits, have a positive impact on retaining employees also these practices contribute to higher employee satisfaction and engagement, ultimately leading to improved retention rates(Singh, 2019).

A study conducted in Bangladesh analyzed the connection between human resource practices and employee retention within the private commercial banking sector, the

findings revealed that certain HR practices, namely job security, training and development, and career growth opportunities, have a significant influence on employee retention. These factors play a crucial role in retaining employees within the banking industry in Bangladesh(Ahmed et al., 2021).

A study on the IT sector in India reveals that HR practices like performance appraisal, training and development, and career growth opportunities have a positive influence on employee retention. The research emphasizes that these practices contribute significantly to retaining employees in the IT industry (Kaur and Chahal, 2020).

Human resource practices play a crucial role in the retention of employees, as highlighted by Tangthong (2014), various strategies can be employed to retain employees effectively, including sharing relevant information, involving them in the decision-making process, implementing a fair compensation system, establishing appropriate performance indicators, and fostering career growth through training and development opportunities. According to Tajammal Hussain and Sheikh Sana ur Rehman (2013), certain HR practices, such as ensuring a good fit between employees and the organization, providing employment security, enhancing internal communication systems, and emphasizing training and development, are particularly important for promoting employee retention, these practices also aid in retaining talented employees within an organization(Kadiresan, 2016).

## **2.5 Human Resource Practice and Employee Retention in Nepal**

A study conducted in Nepalese organizations investigated the influence of transformational leadership on employee retention as well as the research found that effective leadership practices, such as promoting open communication, supporting employee growth, and recognizing employee contributions, have a positive impact on retaining employees, transformational leadership, characterized by inspiring and motivating employees, was found to enhance employee retention, this suggests that organizations that prioritize these leadership qualities can improve their ability to retain employees and create a positive work environment(Shrestha et al., 2019).

Competitive and fair compensation is a crucial factor in employee retention, When employees feel that they are fairly rewarded for their efforts, they are more likely to stay with the organization, a survey conducted by the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) in 2019 revealed that employees considered fair and



timely salary payment as a key factor in their decision to remain with their current employers(FNCCI, 2019).

Providing learning and development opportunities can significantly impact employee retention, organizations that offer training programs, skill development initiatives, and career advancement opportunities are more likely to retain their employees(FNCCI, 2019). A case study by (NRB, 2017) highlighted the importance of training and development programs in improving employee retention.

Employee satisfaction is a critical factor in retaining employees, organizations that prioritize employee satisfaction through measures like work-life balance, employee engagement programs, and a positive work environment are more likely to retain their workforce(Adhikari, 2016) explored the relationship between employee satisfaction and retention in Nepalese organizations.

## **2.6 Importance of Employee Retention**

In today's era, employee retention has become crucial for the success and profitability of organizations, to maintain an effective and efficient workforce, organizations must prioritize employee retention methods(Yousuf and Siddqui, 2019). This has been a topic of discussion for a long time, with many researchers and experienced professionals supporting it through their research, one of the main concerns of employers is the cost that organizations bear when an employee leaves, many studies have focused on the financial impact of employee turnover on organizations(Aburumman et al., 2020). To address this issue, employers must implement strategies to retain their employees, such as offering competitive salaries, providing opportunities for growth and development, fostering a positive work culture, and recognizing employee contributions by prioritizing employee retention, organizations can not only reduce costs but also create a more engaged and motivated workforce(Bhandari and Ojha, 2019). HR managers are compelled to attract and retain competent employees with certain competencies that are crucial for the survival of the organization.(McKeown, 2002). De Vos and Meganck (2008), stated that these employees more focus ones stablishing their own career path rather than being loyal to the organization, thus they are more difficult to retain Certain researchers in the realm of business management, particularly in the field of Human Resources (HR), argue that in order to achieve successful retention management, it is

crucial not only to establish a well-crafted selection of HR practices but also to effectively handle how employees perceive their organization's commitments in rewarding them for their loyalty and dedication (Yousuf and Siddqui, 2019).

According to Deloitte's (2021), Global Human Capital Trends Report highlights the importance of retaining employees for organizations worldwide, the report suggests that retaining talent is crucial for gaining a competitive advantage, and organizations that invest in employee retention strategies are more likely to succeed. Deloitte's (2021), identifies several factors contributing to the difficulty in retaining employees, including the changing nature of work, increased demand for remote work, and shifting employee expectations. Deloitte's (2021), Global Human Capital Trends Report highlights overcome these challenges, organizations need to prioritize employee retention by offering competitive compensation, benefits, and career development opportunities, the report suggests that retaining employees is not only important for organizations' success but also for their employees' well-being as well as organizations that prioritize employee retention are more likely to create a positive work culture that values employee satisfaction, engagement, and productivity(Deloitte, 2021).

According to Lam and Tang (2003), Employee turnover can have a considerable impact on the development bank of Nepal, the loss of experienced employees can result in a decline in organizational productivity and efficiency, as well as a significant loss of knowledge also the departure of key staff can lead to a decline in institutional memory, which is often critical to ensuring that the bank's operations run smoothly(Lam and Tang, 2003).

Lam and Tang (2003), also highlighted recruiting and training new employees can be a costly process, both in terms of time and money also hiring and on boarding new staff members can be a significant expense, especially if they require extensive training or if there is a shortage of qualified candidates, the new hires may not be able to match the productivity and effectiveness of the experienced employees who left, resulting in lower overall output and to mitigate the negative effects of employee turnover, the development bank of Nepal could focus on retaining experienced staff members through effective retention strategies as well as these could include offering competitive compensation packages, opportunities for career advancement, and fostering a positive workplace culture, the bank could implement knowledge transfer programs to ensure that institutional knowledge is passed on to new employees effectively(Lam and Tang, 2003).

A study conducted by Bhatta (2021), highlights that employee turnover is a major concern in the banking sector of Nepal, the study found that employees in this sector are dissatisfied with their jobs due to several reasons such as low salaries, lack of career development opportunities, and poor work-life balance, these factors have resulted in an increase in employee turnover rates in the banking industry, which is causing negative impacts on the development bank of Nepal and one of the primary reasons for employee dissatisfaction is the low salary in the banking sector, which is not sufficient to meet their basic needs. The lack of career development opportunities also contributes to employee turnover, as employees feel stagnant and do not see any growth prospects also poor work-life balance is another issue that affects employee job satisfaction, as long working hours can negatively impact their personal lives(Bhatta, 2021).

According to Bhatta (2021), highlights that the high employee turnover rate is detrimental to the development bank of Nepal, as it results in a loss of talent, knowledge, and experience as well as recruiting and training new employees incurs high costs for the bank, also the study emphasizes the need for the banking industry in Nepal to address the underlying causes of employee dissatisfaction and implement strategies to retain their talent and mproving salaries, offering growth opportunities, and promoting a healthy work-life balance are some of the steps that can be taken to mitigate employee turnover in the banking sector of Nepal(Bhatta, 2021).

Thus, employee retention is critical for the development bank of Nepal's success. The turnover of experienced employees can lead to knowledge loss, reduced productivity, and decreased organizational efficiency, also it is essential for the bank to implement effective employee retention strategies to ensure that employees are satisfied, engaged, and motivated.

## **2.7 Factors Affecting Employee Retention**

Employee retention is a complex issue that cannot be solved by merely offering promotions and salary raises(Yousuf and Siddqui, 2019). It requires organizations to consider various tangible and intangible factors that influence employees' motivation and intent to remain in their jobs, factors that impact employee retention may include work-life balance, job security, benefits, company culture, leadership, and opportunities for personal growth(Yousuf and Siddqui, 2019). To create a positive work environment that fosters employee engagement, loyalty, and satisfaction, organizations need to formulate

and implement a comprehensive employee retention strategy, also the employee retention strategy should be tailored to the unique needs of the employees, which may vary based on the organization's policies, budget, nature of business, and job roles, tangible factors such as benefits and job security can be addressed by offering competitive compensation packages, flexible work schedules, and employee-friendly policies also Intangible factors such as company culture and leadership can be improved by creating a supportive and inclusive work environment, providing opportunities for employee feedback and participation, and fostering a culture of continuous learning and development, by taking a holistic approach to employee retention, organizations can improve productivity, increase employee loyalty, and achieve long-term success and comprehensive employee retention strategy can lead to improved employee satisfaction, reduced turnover rates, and lower costs associated with recruitment and training (Yousuf and Siddqui, 2019).

The leadership approach of an organization, encompassing communication, motivation, and decision-making, has a significant impact on employee retention(Shrestha et al., 2019). (Akhtar et al., 2019), Studies have shown that there is a positive correlation between the leadership approach and employee retention, with the transformational leadership style being particularly effective in this regard in the healthcare sector. Transformational leadership involves inspiring and motivating employees, encouraging them to achieve their full potential, and creating a shared vision that aligns with the organization's goals(Chalise, 2019). By adopting this approach, leaders can foster a sense of loyalty and commitment among employees, leading to increased retention rates, these findings highlight the importance of leadership in creating a positive work environment that motivates employees to stay with the organization and contribute to its success(Akhtar et al., 2019).

Employee retention refers to the ability of an organization to retain its employees for a long time(Adhikari, 2016). A positive correlation exists between learning opportunity and employee retention, which means that employees who have access to learning opportunities are more likely to stay in the organization for a longer time(Chalise, 2019). Based on a study carried out by the Society for Human Resource Management (SHRM), it was found that providing employees with opportunities to enhance their skills and knowledge resulted in higher employee retention rates, with their organizations, with 68 percent of respondents saying they were very likely to stay for at least the next five years"(SHRM, 2019).

Datta et al. (2005), examines the relationship between salary/wages and employee retention, it finds that there is a positive correlation between the two variables, meaning that as salaries and wages increase, employee retention rates also increase, it is important to note that this is not the only factor that affects employee retention and other factors, such as job security, training and development opportunities, and opportunities for advancement, also play a role, in order to improve employee retention rates, organizations should focus on providing not only competitive salaries and wages, but also a supportive work environment and growth opportunities, by doing so, employees are more likely to feel valued and invested in the organization, which in turn can increase their job satisfaction and commitment to staying with the organization(Datta et al., 2005).

According to Datta et al. (2005), it is also important to note that the relationship between salary/wages and employee retention may not be linear, in other words, simply increasing salaries and wages to a certain point may not have a significant impact on employee retention rates beyond that point, also organizations should also consider other factors such as benefits, work-life balance, and company culture when trying to improve employee retention, while offering competitive salaries and wages can help improve employee retention rates, it is not the only factor to consider also organizations should also focus on creating a supportive work environment and growth opportunities to increase employee job satisfaction and commitment to the organization (Datta et al., 2005)

The satisfaction of employees is of utmost importance when it comes to retaining them within the organization, it is a reliable predictor of whether an employee will stay with a company or leave for better opportunities(Chron, 2020). When employers prioritize good working relationships with their employees, employee satisfaction improves(Shrestha and Shakya, 2020). When workers feel that their skills are being utilized and their service and commitment are appreciated, they are more likely to be satisfied with their jobs, companies that prioritize good working relationships may engage in practices such as regular communication, recognition and rewards for good work, opportunities for career development, and a positive work environment(Singh, 2019). These practices show employees that their employer values them and is invested in their success, when employees feel valued, they are more likely to be satisfied with their jobs and have a higher level of commitment to their employer(Chron, 2020). Increased job satisfaction tends to lead to greater employee retention rates (Bhatta, 2021). When employees are satisfied with their jobs, they are less likely to leave for better opportunities, this is

beneficial for both the employer and the employee (Pandey, 2014). Employers save money and time that would have been spent on recruiting and training new employees, and employees benefit from job security and the potential for career growth within the company. Also, employers who do not prioritize good working relationships with their employees are likely to experience higher rates of turnover as well as employees who feel undervalued and unappreciated are more likely to seek employment elsewhere, this can be costly for employers, as high turnover rates can lead to a loss of productivity and revenue (Chron, 2020).

The study conducted by (Khatriwada and Paudel, 2021), investigates the impact of a bank's ownership structure and specialization on employee retention, the researchers focused on the development bank of Nepal (DBN) and found that the bank's specialized nature and government ownership significantly affect employee retention. According to Khatriwada and Poudel (2021), DBN's specialization in the development finance sector creates a challenging yet rewarding work environment for employees interested in this area. This finding suggests that employees who have a passion for development finance are more likely to stay with DBN than with a non-specialized bank, the specialized nature of the bank may also provide employees with opportunities for professional growth and development that are not available in non-specialized banks.

According to Khatriwada and Poudel (2021), also found that DBN's government ownership provides job security and stability, which are important factors in retaining employees. Khatriwada and Poudel (2021), also argue that government ownership is often associated with stable employment opportunities and less uncertainty about the bank's future, this finding suggests that employees are more likely to stay with DBN because they feel more secure about their job prospects and the bank's long-term stability.

Thus, the study Khatriwada and Poudel (2021), suggests that a bank's ownership structure and specialization can significantly affect employee retention and DBN's specialized nature and government ownership provide employees with challenging and rewarding work, job security, and stability, which are important factors in retaining employees. These findings have important implications for banks looking to improve employee retention and may help them better understand how ownership and specialization impact their employees' work experiences (Khatriwada and Poudel, 2021).

**Table 2.2 : Summary of Previous Studies**

S.N	Author's/Year	Objectives	Key Finding
1	Stauss et al. (2001)	To provide insights and recommendations for organizations to enhance employee retention through effective HR practices.	Creating a positive work environment that promotes employee morale, satisfaction, and motivation is crucial for higher employee performance, productivity, and retention.
2	Lam and Tang (2003)	To examine the impact of HR practices on employee retention in different industries and countries.	Challenges in providing a positive work environment and job security in some development banks in Nepal include a lack of financial resources, inadequate training opportunities, and limited promotion prospects. Addressing these challenges is crucial for employee satisfaction and retention.
3	Aswathappa (2005)	To explore the relationship between employee satisfaction and retention.	Human resource management (HRM) practices, such as recruitment, selection, training, development, retention, and compensation, significantly contribute to organizational success by ensuring the right people are hired, trained, and retained.
4	De Vos and Meganck (2008)	To examine the impact of HR practices on employee retention in different industries and countries.	Competent employees with certain competencies that are crucial for organizational survival tend to focus more on establishing their own career paths rather than being loyal to the organization, making their retention challenging.
5	Nasir and Mahmood (2016)	To provide insights and recommendations for organizations to enhance employee retention through effective HR practices.	Factors contributing to employee retention include strategy, pay, benefits, organizational culture, and career development, but the phenomenon is multidimensional and cannot be explained by a single factor alone.
6	D.R. Adhikari (2016)	To identify the key factors within HR practices that significantly influence employee retention.	Job satisfaction is a critical factor influencing employee retention, linked to factors such as organizational culture, leadership, work-life balance, career development, and compensation.
7	NRB (2017)		Factors like transformational leadership, competitive and fair compensation, learning and development opportunities, and employee satisfaction significantly influence employee retention in Nepal.

8	Yousuf and Siddqui (2019)	To identify the key factors within HR practices that significantly influence employee retention.	Creating a portfolio of effective HR practices and managing employees' perceptions of organizational promises for loyalty and commitment are essential for effective retention management.
9	Singh (2019)	To explore the relationship between employee satisfaction and retention.	Effective HR practices, such as training and development, performance appraisal, and compensation and benefits, positively impact employee retention in the hotel industry in India (Singh, 2019).
10	Shrestha et al. (2019)	To examine the relationship between salary and wages and employee retention in development banks.	The significance of effective leadership in the success of development banks in Nepal.
11	FNCCI (2019)	To understand the impact of leadership approach on employee retention in development banks.	A transformational leadership approach is found to be more effective in promoting employee motivation and performance compared to a transactional leadership approach.
12	Bhandari and Koirala (2019)	To address this issue, development banks should re-evaluate their compensation packages to ensure competitiveness and consider offering additional benefits.	competitive compensation is crucial for attracting and retaining talented employees in development banks. Development banks in Nepal face challenges in this regard due to lower salaries compared to other financial institutions.
13	Society for Human Resource Management (SHRM) (2019)	To understand the impact of leadership approach on employee retention in development banks.	Providing learning opportunities positively influences job satisfaction and organizational commitment among employees in development banks.
14	Management (2019)	To identify the key factors within HR practices that significantly influence employee retention.	Development banks should re-evaluate their compensation packages to ensure competitiveness and consider offering additional benefits.
15	Thapa (2019) and Akhtar et al. (2019)	To examine the relationship between salary and wages and employee retention in development banks.	In the hotel industry, implementing efficient HR strategies such as training and development, performance evaluation, and competitive compensation and benefits have a beneficial influence on employee retention.
16	Kaur and Chahal (2020)	To identify the factors influencing employee satisfaction and its impact on employee retention in development banks.	The importance of a conducive work environment and job security in promoting employee satisfaction, job satisfaction, and organizational commitment.
17	Hasan et al. (2021)	To identify the key factors within HR practices that significantly influence employee retention.	Job satisfaction is a critical factor influencing employee retention, linked to factors such as organizational culture, leadership, work-life



			balance, career development, and compensation.
18	(Gabriel and Evelyn, 2017)	To examine the relationship between salary and wages and employee retention in development banks.	Job satisfaction is a critical factor influencing employee retention, linked to factors such as organizational culture, leadership, work-life balance, career development, and compensation.
19	Ahmed et al. (2021)	To explore the relationship between employee satisfaction and retention.	Effective HR practices, such as training and development, performance appraisal, and compensation and benefits, positively impact employee retention in the hotel industry, private commercial banks in Bangladesh .
20	Shrestha et al. (2021)	To identify the factors influencing employee satisfaction and its impact on employee retention in development banks.	Providing learning opportunities positively influences job satisfaction and organizational commitment among employees in development banks
21	Poudyal and Poudel (2021)	To examine the relationship between salary and wages and employee retention in development banks.	Development banks in Nepal lack resources and infrastructure for sufficient training, which hinders employee development. Investments in training programs, career development opportunities, and mentoring programs are recommended.
22	Deloitte (2021)	To explore the influence of learning opportunities on employee retention in development banks.	The significance of effective leadership in the success of development banks in Nepal.
23	Bhatta (2021)	To examine the relationship between salary and wages and employee retention in development banks.	Learning opportunities positively influences job satisfaction and organizational commitment among employees in development banks.

At the end, various authors argue that effective leadership, competitive compensation, learning opportunities, and employee satisfaction are key factors affecting employee retention in development banks in Nepal. Implementing a transformational leadership approach, offering competitive salaries and benefits, providing learning and development opportunities, and creating a positive work environment are recommended strategies to improve employee retention rates.

## 2.8 Research Gap

The researcher's focus is on employee retention within the banking industry of Nepal. They have identified previous studies conducted by Kattel (2013), Bhatia (2010), Khadka (2013), Gajurel (2010), and Pandit (2009) that explored HRM and employee retention in Nepal's banking sector. These studies examined various aspects such as the definition of human resources, recruitment and selection, challenges in retaining key employees, poaching of key employees, succession planning, and labor dynamics. However, these studies did not address the demographic characteristics of employees, the impact of demographics on employee retention, the relationship between retention factors and employee retention, the influence of retention factors on employee retention, or the level of employee satisfaction with the retention practices in the development banks of Nepal. The studies related to retention practices of the development banks of Nepal is limited, this study has tried to analyze the factors that determine employee retention of development banks in Nepal .

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

The study followed a series of stages and phases, each contributing to the completion of the research. The subsections included in this chapter are as follows: research design, target population, sample design, data collection instruments, data collection procedures, data analysis, and presentation. This chapter provides a comprehensive overview of the stages and phases followed in completing the study, ensuring transparency, and establishing a clear methodology for conducting the research.

#### **3.1 Research Design**

In this study, the research design chosen was descriptive research design and analytical research design. Descriptive research design was employed to identify and profile the characteristics of the study's respondents. Additionally, the analytical research design was used to test the existence of relationships among variables and generating statistical data for hypothesis testing, that explains employee retention in development banks. This design is useful for assessing relationships between variables. Overall, the chosen research design aimed to investigate factors determining employee retention.

#### **3.2 Population and sampling procedure**

The population for this study comprised permanent employees of the development bank of Nepal in Kathmandu Valley who are actively working in various development banks. The target population specifically refers to the 600 permanent employees from the Head Office's different departments (Finance/Accounting, Marketing/Sales, Human Resources, Operations/Risk Management and Customer Service).By using Yamane's (1967:886) formula there must be 240 sample is required. Out of these, a total of 388 employees were included in the sample frame for the research.

#### **3.3 Sampling Technique**

A sample refers to a subset of a population or universe that is selected to represent and estimate the characteristics of the entire population(Khadka, 2013). Wolf and Pant (2007) define a sample as a group of items or elements drawn from a population. In other words, it is the process of choosing a specific group of subjects for a study in a manner that they

accurately represent the larger group they were selected from (Gay, 1987, p. 181). In scientific investigations, a research population refers to a substantial group of individuals or objects that serves as the central point of interest for the study (Khadka, 2013).

The sampling technique for this study is purposive sampling technique. Purposive sampling technique is a non-probability sampling method commonly used in qualitative research. It involves selecting participants based on their specific characteristics or qualities that are relevant to the research objective. Rather than randomly selecting participants from a larger population, purposive sampling aims to target individuals who can provide valuable insights and information related to the research topic.

**Table 3.1 : Population and Sampling Techniques**

<b>Random Sampling of the Study Population(kinds of respondents)</b>	<b>Target Population</b>	<b>Sample Size</b>	<b>Sampling Design</b>
Kamana Sewa Bikas Bank Limited.	90	58	Non-probability sampling
Lumbini Bikas Bank Limited.	90	63	Non-probability sampling
Shangrila Development Bank Limited.	75	43	Non-probability sampling
Mahalaxmi Bikas Bank Limited.	90	54	Non-probability sampling
Garima Bikas Bank Limited.	75	59	Non-probability sampling
Jyoti Bikas Bank Limited.	90	58	Non-probability sampling
Muktinath Bikas Bank Limited.	90	53	Non-probability sampling
<b>Total</b>	<b>600</b>	<b>388</b>	

**Source: DBE HRMD Data Base December 31, 2016**

### 3.4 Degree of Variability

The degree of variability in a population affects the sample size of a study. A less variable or more homogeneous population results in a smaller sample size. In the current study, the population exhibits low variability, indicating a more homogeneous population(Khadka, 2013).

The researcher initially aimed for a sample size of 600 respondents using Yamane's formula (Yamane, 1967, p. 886).

$$n = \frac{N}{1 + N(e)^2}$$

**Where:-**

n: is the sample size-----?

N: is the population size -----600

e: is the level of precision-----5%

Therefore, representative sample of population is determined at 95% degree of confidence.

Hence at 95% degree of confidence,

$$n = \frac{600}{1 + 600(.05)^2}$$

$$n = \frac{600}{1 + 1.5}$$

$$n = 240$$

According to table of sample size determination developed by Yamane's (1967:886), at 95 percent degree of confidence, the representative sample size for 600 populations was equal to 388. This was similar with the above-calculated result. Therefore, 388 employees were participated on survey.

**Source: Yamane's (1967:886)**

However, the present study included 388 employees from development banks in Nepal. The sample was chosen through simple random sampling, with a confidence level of 95% and a sampling error of 5%.

The research conducted by Burger and Silima (2006) emphasizes the importance of sampling in providing feasibility to studies. It is often impractical and costly to study an entire population, so researchers utilize sampling methods to save time and resources.

In this particular study, aimed to utilize selective sampling to select 600 employees from various banks who would be willing to participate. However, they obtained a total of 388 responses from the selected participants. The selection of participants was not limited to any specific gender, age group, or designation, as the study aimed to encompass employees from all categories.

### 3.5 Nature and Sources of Data

To gather data on employee retention factors in development banks in Nepal, a combination of primary and secondary data sources can be utilized.

Primary data were collected through questionnaires (Google Forms), surveys, and interviews.

Secondary data were gathered from various sources, including journals, internal reports, and annual reports.

Combining insights from both primary and secondary data sources can provide a comprehensive understanding of the factors influencing employee retention in development banks in Nepal and guide the formulation of effective retention strategies.

### 3.6 Sampling Design and Instrument of Data Collection

According to Webb (2002), a questionnaire should cover various aspects such as attitudes, beliefs, feelings, behavior, knowledge, and demographic characteristics. It typically includes measurement scales and collects demographic information from participants (Micheal, 2008). Ghauri and Gronhaug (2005) suggest that the questionnaire's questions and design should be tailored to match the educational levels and backgrounds of the respondents.

In this study, the questionnaire's questions are clear, concise, complete, relevant, and appropriate. They are precise, explicit, and easily understandable (Khadka, 2013). The questions are closed-ended, meaning that respondents are provided with a range of possible answers from which they select their appropriate choice (Welman, Kruger, & Mitchell, 2005).

The current study is based on non-probability sampling design and a survey questionnaire that is divided into two sections, consisting of a total of 32 questions. These sections include a demographic information, and a Likert five-scale rating. The demographic information section covers aspects such as age, gender, post, education, job experience, and job status of the employees. The second section focuses on employee retention determinants/factors and employee retention, with questions related to four independent variables and one dependent variable. The Likert scale ranging from strongly disagree to strongly agree (1-5) was used to assess employee retention practice.

The four independent variables are as follows:

Leadership Approach (5 questions/statements)

Salary and Wages (5 questions/statements)

Learning and Opportunities (5 questions/statements)

Employee satisfaction (5 questions/statements)

The questions/statements in the questionnaire are assessed using a five-point Likert scale in a closed-ended format. They are designed to be simple, clear, and easy to understand.

Researchers utilized the Statistical Package for the Social Sciences (SPSS) software to process and analyze their data. SPSS is a widely-used software tool in the field of social sciences, designed specifically for statistical analysis and data management. By employing SPSS, researchers were able to input their data, perform various statistical calculations and tests, and generate summary statistics and reports. The utilization of SPSS likely aided the researchers in effectively organizing and interpreting their data, enabling them to draw meaningful conclusions and insights from their study.

### 3.7 **Methods of Analysis**

Data analysis involves the systematic process of categorizing, ordering, and summarizing data in order to obtain relevant insights and answers to research questions, it encompasses the examination and exploration of data through various techniques and statistical methods to identify patterns, trends, relationships, and key findings, also condensing and organizing data, researchers can derive meaningful conclusions and make informed decisions based on the analyzed information(De Vos and Meganck, 2008). In this study, data was collected through questionnaires and organized in MS-Excel spreadsheets and using google form. The data was then summarized, edited, coded, tabulated, and analyzed. The research employed a combination of qualitative and quantitative analysis. Qualitative analysis was used to describe the existing employee retention scenarios in the Bank compared to the theoretical framework, while descriptive statistics techniques were used for quantitative analysis. Descriptive statistics such as frequency count, percentage, mean, and standard deviation were used to analyze the respondents' assessments of employee retention practices. Data is analyzed by using various descriptive and

inferential statistical tools in order to measure the factors relating to employee retention. Correlation analysis, regression analysis, t test are done to find out the relationship between variables and their impact.

Model of regression is stated in the following ways:

$$Y = b_0 + b_1x_1 + b_2x_2 + \dots + b_kx_k$$

Employee retention =  $b_0$  +  $b_1$  leadership approach +  $b_2$  learning and opportunity +  $b_3$  salary and wages +  $b_4$  employee satisfaction.

### 3.8 Reliability and Validity of Instruments

Data qualities were assessed using reliability and validity. This involved examining the accuracy and consistency of information collected during the field study.

#### Reliability

Reliability refers to an instrument's accuracy and consistency, as well as the ability to produce similar results when administered independently in similar circumstances (De Vos and Meganck, 2008). Cronbach's alpha was used to test the reliability of the instrument in SPSS. The standard value of reliability is 0.7, but the results showed a value of 0.938, indicating high reliability.

**Table 3.2 Reliability Statistics for Total Items**

#### Reliability Statistics

Cronbach's Alpha	No of Items
<b>0.938</b>	<b>26</b>

According to Robert Cavana (2007), a Cronbach's Alpha coefficient of less than 0.7 is considered poor, while a coefficient greater than 0.7 but less than 0.7 is considered acceptable, and a coefficient greater than 0.7 is considered good. The reliability of the individual items such as leadership approach, salary and wages, learning opportunity and



employee satisfaction is considered reliable and significant because the computed alpha value is close to 0.70 (Khadka, 2013), The reliability of the data is shown in the table below, where only alpha values above .70 are considered to be reliable.

**Table 3.3 Reliability of Individual Items**

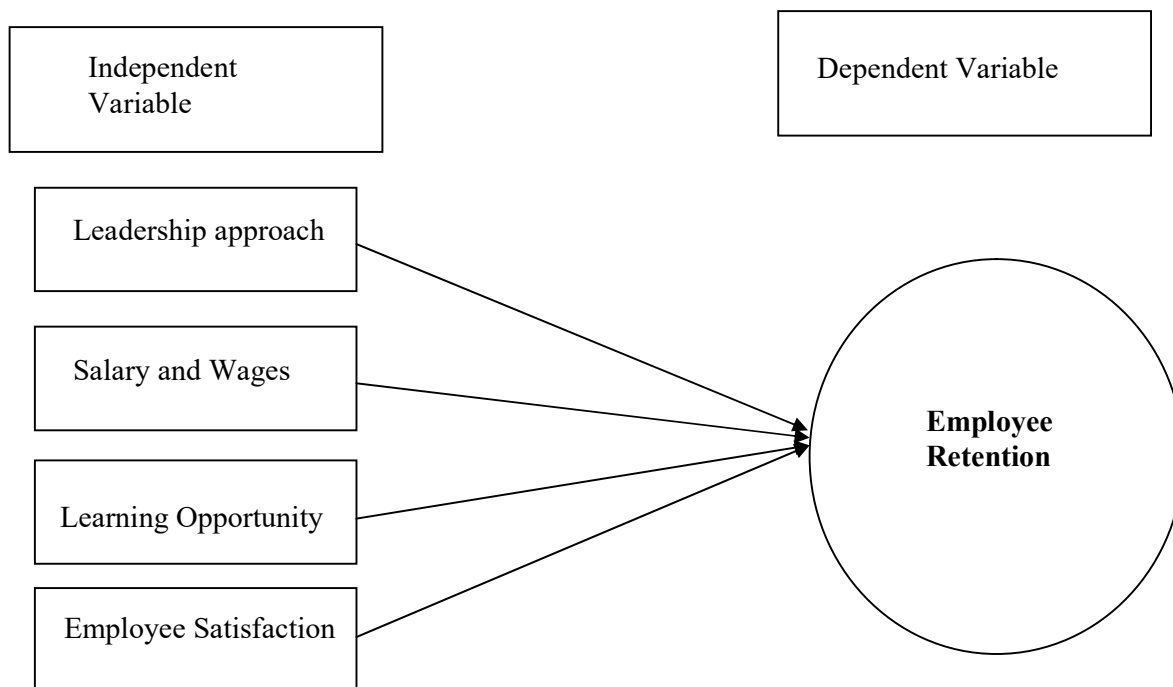
<b>Reliability of individual items</b>		
Variable	Cronbach's Alpha	No of items
Leadership Approach	0.812	4
Salary and Wages	0.813	4
Learning and Opportunity	0.850	4
Employee satisfaction	0.803	4

### **Validity of Instruments**

Validity refers to how well a questionnaire or instrument measures what it is supposed to measure. It ensures that the data collected is reliable and accurately reflects the concept being studied. In order to establish validity, the researcher in this case developed the questionnaire based on existing literature, tested it through a pilot test, and incorporated feedback from experts and the research advisor. This process helps ensure that the instrument accurately measures the intended construct(Sharew, 2018).

### **3.9 Research Framework and Definition of Variables**

The thesis conducted a conceptual framework that focused on the relationship between independent variables and dependent variables. The framework identified key factors and constructs related to the stability of the bank's workforce, successful implementation of strategies and programs, and the perception of employees on employee retention practices. These independent variables were presumed to have an impact on the dependent variable of employee retention in the bank. The emphasis of the study was on understanding the factors that contribute to employee retention and how they are influenced by various aspects of the work environment and employee perceptions(Sharew, 2018).



Sources :Ms Shahtaj Yousuf and Dr Danish Ahmed Siddqui 2019.

**Figure 3.1 Theoretical Framework**

### 3.9.1 Leadership Approach

Leadership approach refers to the style of leadership utilized by an organization, which includes communication, motivation, and decision-making, the impact of leadership approach on employee retention has been widely studied, and research suggests a positive correlation between the two and the transformational leadership style was positively related to employee retention in the healthcare sector(Akhtar et al., 2019).

The degree of engagement and positive behavior in jobs is heavily influenced by how managers and team leaders lead and manage(Sharew, 2018). They have the power to design jobs, allocate work, delegate tasks, and provide autonomy and they can also communicate the significance of the work, provide opportunities for growth, and give feedback that acknowledges contributions, leadership is closely linked to management but focuses more on development, strategy, vision, and adapting to change(Sharew, 2018).

Various studies have highlighted the significant influence of management and leadership style on an organization's ability to retain its workforce. According to Eisenberger, Fasolo, and Davis-LaMastro (1990), the relationship between employees and their

supervisors greatly impacts how employees perceive the organization. McNeese-Smith (1995) discovered that the attitude of a hospital manager can enhance employee commitment to the organization. Similarly, Kaye and Jordan-Evans (2002) emphasized the importance of being a good boss to positively affect employee retention. Duffield and O'Brien-Pallas (2003) specifically identified participative leadership as a contributing factor to employee retention, a view supported by Kroon and Freese (2013). Andrews and Wan (2009) noted that management has a decisive role in employee retention, with both leadership style and management support playing a part. Employee involvement in decision-making processes has been found to motivate them to stay within an organization, as observed by Noah (2008), who highlighted that participation fosters a sense of belonging, loyalty, and retention (Bodjrenou et al., 2016).

### **3.9.2 Learning Opportunity**

According to Sharew (2018), training programs that are strategically aligned to an organization's needs can lead to improvements in performance, productivity, quality, and services. When individual employees have their desired needs fulfilled through training, it increases the likelihood of employee retention (Sharew, 2018). Human resources practices such as providing training and job security are important determinants of employee retention, training can enhance skills, improve staff performance, and address factors contributing to staff retention such as perceived support and role clarity (De Vos and Meganck, 2008). Promotion to the next level has a stronger impact on job satisfaction compared to recognition and achievement. Overall, training can play a role in improving retention, but it should be accompanied by addressing other systematic barriers (Sharew, 2018).

According to a study conducted by the Society for Human Resource Management SHRM (2019), "employees who were offered opportunities to develop their skills and knowledge were more likely to stay with their organizations, with 68 percent of respondents saying they were very likely to stay for at least the next five years" (SHRM, 2019).

Investing in employee training and career development is crucial for retaining employees and organizations are motivated to invest in training and development programs only for those workers who are expected to yield a return on the investment (Messmer, 2000). Clark (2001) suggests that organizations are focusing on the development of talented

employees by analyzing their skills, considering their interests, identifying development needs, and conducting comprehensive assessments of their capabilities. Wetland (2003) proposes that both firms and individuals invest in human capital through training, as it enhances employees' skills. When organizations hire employees with the intention of improving their skills, they need to initiate training programs (Goldstein, 1991). According to Noe (1999), employees are motivated to acquire new knowledge and skills that they can apply to their jobs and share with others. Research studies indicate that organizations often delay employee training programs to assess whether the personal values of workers align well with the organizational culture, thereby reducing employee turnover intentions (Muhammad and Fahad, 2007)

### **3.9.3 Salary and Wages**

According to Datta et al. (2005), positive correlation is a statistical relationship between two variables in which the increase of one variable is associated with the increase of the other variable, and vice versa. In the case of salary and wages, a positive correlation with employee retention suggests that higher salaries and wages could lead to improved employee retention rates, "higher levels of pay were positively related to employee retention," as well as other factors such as job security, training and development, and opportunities for advancement (Datta et al., 2005).

Compensation refers to the rewards, typically in the form of money, that someone receives as compensation for injury, loss, or suffering, or as a salary or wage from their employer, compensation can also include non-cash benefits such as pension plans, life and health insurance, and company cars (De Vos and Meganck, 2008). These compensation and benefits packages are important for attracting and retaining desired employees as well as job satisfaction is influenced by various factors, including the amount of payment received, with higher salaries generally being associated with higher job satisfaction, it is not solely the amount of payment that determines job satisfaction, but also the perception of fair and equitable pay, also Increasing a person's salary and rewards does not always lead to increased job satisfaction (Sharew, 2018).

Investing in employee training and career development is crucial for retaining employees, organizations are motivated to invest in training and development programs only for those workers who are expected to yield a return on the investment (Messmer, 2000). Clark

(2001) suggests that organizations are focusing on the development of talented employees by analyzing their skills, considering their interests, identifying development needs, and conducting comprehensive assessments of their capabilities. Wetland (2003) proposes that both firms and individuals invest in human capital through training, as it enhances employees' skills. When organizations hire employees with the intention of improving their skills, they need to initiate training programs (Goldstein, 1991). According to Noe (1999), employees are motivated to acquire new knowledge and skills that they can apply to their jobs and share with others. Research studies indicate that organizations often delay employee training programs to assess whether the personal values of workers align well with the organizational culture, thereby reducing employee turnover intentions (Muhammad and Fahad, 2007).

#### **3.9.4 Employee Satisfaction**

Employee satisfaction can be considered a dependable indicator of employee retention. When employers adopt practices that foster positive working relationships, it tends to enhance employee satisfaction since workers are more likely to perceive the company as supportive and caring, using their skills and appreciating their service and commitment, when employees experience higher job satisfaction, they tend to remain with the company for longer period (Chron, 2020).

According to a study by George & Jones (2002), job satisfaction is a crucial factor for the success of an organization. It significantly influences absenteeism, which can lead to employee turnover and resignations. Bigley et al. (1996) also support the idea that dissatisfied employees are more likely to be absent from work. Rhodes & Steers (1990) suggest that employee motivation and ability, as reflected in attendance, are essential for organizational productivity. Job satisfaction represents the positive or negative feelings that workers have toward their work and the extent to which their expectations align with the rewards they receive (Davis et al., 1985). It is closely linked to an individual's behavior in the workplace.

Job satisfaction is crucial for employee retention (Bigley et al., 1996). With the increasing competitiveness of the job market due to inflationary trends, retaining employees has become challenging as well as employers must make their employees feel physically and psychologically comfortable, while there are various strategies for

achieving this, motivation strategies play a vital role in boosting employees on a day-to-day basis (June, 1988). Contrary to popular belief, monetary compensation is not the primary motivator for employees. According to a report by Harvard Management Update (June, 1988), nine out of ten managers believe that money is the main factor influencing employee retention. Kaye and Evans (2000) contend that while financial incentives and benefits are important, employees place a higher value on work that is engaging and purposeful, effective management practices, and the chance to grow through learning and development opportunities.

### **3.9.5 Employee Retention**

Retention refers to the ability of an organization to keep valuable employees who play a crucial role in its productivity (Johnson, 2000). Employee retention involves retaining high-performing individuals who can contribute to the organizational process and achieve its goals (Frank, Finnegan, & Taylor, 2004). Nowadays, organizations are placing significant emphasis on retaining their employees in order to reduce recruitment and training costs and prevent talented employees from being lured away by competitors (Sandhya & Kumar, 2011). Losing competent employees can lead to negative consequences such as decreased customer perception, loss of proficiency, increased administrative expenses, and disruption in daily operations, which can be detrimental to the organization. This has been studied by several researchers, including Brandt, Bielitz, and Georgi in 2016, Karsan in 2007, and Ton and Huckman in 2008. Therefore, HR practices should not only focus on hiring skilled employees but also create a motivating environment to prevent employee turnover (Kaye & Jordan, 2001). In the modern era, employees seek opportunities for personal and professional growth in addition to financial rewards (Chiboiwa, Samuel, & Chipunza, 2010). Employees are more likely to stay in an organization when they are involved in decision-making processes, and this can be reinforced through competitive and transparent compensation systems (George, 2015). When organizations fail to retain their competent employees, they incur higher expenses in terms of recruitment and training, which could otherwise be utilized for enhancing the skills of existing employees (Okioga, 2012). Low retention rates result in increased time and financial resources spent on hiring and training new employees, which could be better allocated to other employee development programs (Chaudhary, 2019).

Employee retention refers to the ability of an organization to retain its employees and prevent them from leaving the company voluntarily or involuntarily, it is a critical aspect of talent management as it ensures that the company retains its best employees and maintains a stable workforce, which contributes to the organization's success and growth(Lockett, 2019). According to a study by Deloitte (2019), employee retention has become a top priority for organizations, with 80% of organizations considering it a critical challenge. The study further revealed that organizations with a high employee retention rate tend to have higher productivity, better customer satisfaction, and stronger financial performance than those with a high turnover rate(Deloitte, 2019).

## CHAPTER 4

### RESULTS AND DISCUSSION

This section converts the data that has been gathered into valuable insights that can be used to address the research questions. It encompasses various aspects such as the demographic characteristics of the employees, an examination of employee retention and the factors influencing it, the correlation between demographic variables and employee retention, the relationship between retention factors and employee retention, as well as the impact of retention factors on both employee retention and satisfaction. These findings have been obtained by carefully analyzing the data collected through meticulously designed questionnaires distributed to individuals employed in the development banks of Nepal.

#### 4.1 Demographic Information of Respondents

In this study, the sample consisted of 388 employees from the development banks in Nepal. The researchers examined various demographic characteristics of the respondents, including age, gender, marital status, post, nationality, mother language/tongue, experience, education, and job status. The sample was selected randomly from the overall population of employees in the banking industry. The respondents included individuals in different positions, namely Non-officers, Officers, and Managers. To analyze the data, frequency distributions were created for each demographic characteristic, providing a summary of the distribution of responses within each category. This allowed the researchers to gain insights into the diverse characteristics of the employees in the banking industry and understand the composition of the sample.

**Table 4.1 : Frequency Distribution by Age**

Age	Frequency	Percent
Under 20	13	3.4
20-29	308	79.4
30-39	57	14.7
40-49	5	1.3
50 Above	5	1.3
Total	388	100



This table (4.1), shows the frequency distribution according to age group. Out of 388 samples, there are 13 (3.4%) respondents in the age group of under 20, 308 (79.4%) respondents in the age group of 20-29, 57 (14.7%) respondents in the age group of 30-39, 5 (1.3%) respondents in the age group of 40-49 and 5 (1.3%) respondents in the age group of 50 plus.

**Table 4.2 : Frequency Distribution by Gender**

	<b>Gender</b>	
Gender	Frequency	Percent
Male	240	61.9
Female	148	38.1
Total	388	100

This table (4.2), shows the frequency distribution according to gender. Out of 388 samples, 240 are male and 148 are female i.e. 61.9% are male and 38.1% are female.

**Table 4.3 : Frequency Distribution by Position in the Bank**

	<b>Position in the Bank</b>	
Position in the Bank	Frequency	Percent
Entry-level employee	196	50.5
Middle-level employee	148	38.1
Senior-level employee	36	9.3
Managerial position	5	1.3
Executive position	3	0.8
Total	388	100

Table (4.3), shows the frequency distribution according to designation. Out of 388 samples, there are 196 (50.4%) respondents whose designation is Entry-level employee, 148 (38.1%) respondents whose designation is Middle-level employee, 36 (9.3%)

respondents whose designation is Senior-level employee, 5(1.3%) respondents whose designation is Managerial position and 3 (0.8%) respondents whose designation is Executive position.

**Table 4.4 : Frequency Distribution by Educational Qualification**

Educational Qualification		
Educational Qualification	Frequency	Percent
School level	11	2.8
Bachelor's degree	152	39.2
Master's degree	225	58.0
Total	388	100

Table (4.4), shows the frequency distribution according to educational background. Out of 388 samples, there are 11 (2.8%) respondents from School Level, 152 (39.2%) respondents from Bachelor's Level 225 (58.0%) respondents from Master's Level.

**Figure 4.1: Frequency Distribution by Years of Experience in the Current Organization**



Figure (4.1), shows the frequency distribution according to Years of experience in the current organization. Out of 388 samples, there are 95 (24.5%) respondents from Less than 1 year, 189 (48.7%) respondents from 1-3 Year, 72 (18.6%) respondents from 4-6 Year, , 27 (7%) respondents from 7-9 Year and 5 (1.3%) respondents from 10 or more years.

**Table 4.5 : Frequency Distribution by Department/Division**

<b>Department/Division</b>		
Department/Division	Frequency	Percent
Finance/Accounting	100	25.8
Marketing/Sales	84	21.6
Human Resources	3	0.8
Operations/Risk Management	81	20.9
Customer Service	120	30.9
Total	388	100

Table (4.5), shows the frequency distribution according to Department/Division. Out of 388 samples, there are 100 (25.8%) respondents from Finance/Accounting, 84 (21.6%) respondents from Marketing/Sales, 3 (0.8%) respondents from Human Resources, 81 (20.9%) respondents from Operations/Risk Management and 120 (30.9%) respondents from Finance/Accounting.

#### **4.2 Ranking Variables Affecting Retention Factors**

Retention factors are considered significant in maintaining job satisfaction, which, in turn, plays a crucial role in keeping employees within an organization. When the cumulative mean of these factors is less than 3 on a scale of 5, it suggests that the importance placed on these factors is relatively low. However, it's important to note that a comprehensive

understanding of the specific retention factors and their individual impact would be necessary to provide more specific insights or suggestions.

**Table 4.6 Statistics Leadership Approach**

	<b>Statistics Leadership Approach</b>				
	1.The leadership in my organization effectively communicates the vision and goals of the bank?	2. The leadership in my organization demonstrates transparency in decision-making processes?	3. The leadership in my organization encourages open communication and listens to employee feedback?	4. The leadership in my organization provides clear guidance and direction to employees?	5. The leadership in my organization recognizes and values employee contributions and achievements?
Mean	3.4	3.64	3.54	3.79	3.57
Median	3	4	4	4	4
Std. Deviation	1.101	0.982	1.047	0.975	1.129
N Valid	388	388	388	388	388

Table (4.6) show that there are areas of strength in the leadership approach, such as transparency in decision-making and recognizing employee contributions. However, there are also areas for improvement, such as more effective communication of the bank's vision and goals and further encouraging open communication and feedback.

**Table 4.7 Statistics wages and salary**

	<b>Statistics wages and salary</b>				
	6. The salary and benefits offered by my organization are competitive compared to other banks in Nepal?	7.The bank provides regular and fair salary increments and performance-based bonuses?	8. The bank offers comprehensive employee benefits packages, including health insurance and retirement plans?	9. The bank provides financial incentives or rewards for exceptional employee performance?	10. The bank ensures timely and accurate disbursement of salaries and other financial benefits?
Mean	2.94	3.09	3.51	3.40	3.57
Median	3.00	3.00	4.00	4.00	4.00
Std. Deviation	1.072	1.357	1.182	1.419	1.018
N Valid	388	388	388	388	388

Table (4.7) show that the bank's employee benefits packages and salary disbursement process are perceived positively. However, there are areas where improvements could be made, such as making salary increments and performance-based bonuses more consistent and transparent. The bank should consider conducting regular surveys and gathering employee feedback to address any concerns and improve employee satisfaction with their compensation and benefits.

**Table 4.8 Statistics Learning Opportunity**

**Statistics Learning Opportunity**

	11. My organization provides sufficient training and development opportunities for employees to enhance their skills and knowledge?	12. The bank supports employees' participation in workshops, conferences, or other professional development activities?	13. Employees have access to internal resources (e.g., libraries, online courses) that foster continuous learning?	14. The bank encourages employees to take on new challenges and assignments to enhance their professional growth?	15. The bank offers mentoring or coaching programs to support employee learning and career development?
Mean	3.25	3.45	3.37	3.22	3.46
Median	3.00	4.00	4.00	3.00	4.00
Std. Deviation	1.178	1.037	1.093	1.068	1.022
N Valid	388	388	388	388	388

(Table 4.8) indicate that the bank is generally doing a decent job in providing learning opportunities and supporting employees' professional development. However, there are areas where improvements could be made, such as enhancing the perceived sufficiency of training opportunities and encouraging employees to take on new challenges. The bank should continue to focus on providing various learning resources and support systems to help employees grow in their careers. Regular feedback from employees and evaluating the impact of these learning initiatives can aid in refining and optimizing the learning opportunities provided by the organization.

**Table 4.9 Statistics Employee Satisfaction**

	16. I am satisfied with the overall work environment in my organization?	17. I feel motivated and engaged in my work on a daily basis?	18. My organization recognizes and appreciates my efforts and achievements?	19. I have a good work-life balance in my current role?	20. I believe my organization values employee well-being and supports employee mental health?
Mean	3.22	3.43	3.42	3.36	3.39
Median	3.00	4.00	3.00	3.00	3.00
Std. Deviation	1.009	1.184	1.103	1.151	1.151
N Valid	388	388	388	388	388

Table (4.9) indicate that employees have a moderate level of satisfaction with the work environment and different aspects related to their job satisfaction. While there are areas of strength, such as feeling motivated and engaged in work, there are also areas where improvements could be made, such as recognizing and appreciating employees' efforts and achieving a better work-life balance. To enhance employee satisfaction, the organization should consider conducting regular feedback surveys, addressing concerns raised by employees, and implementing initiatives that promote a positive work environment and employee well-being.

**Table 4.10 Statistics Employee Retention**

	21. I am able to reach my full potential in this Bank?	22. I am comfortable working with my team members?	23. I have a clear understanding of my career path?	24. I am planning on working for another company within two years?	25. I am satisfied with my job?	26. I am often thinking of quitting my job?
Mean	3.21	3.48	3.37	3.61	3.17	3.40
Median	3.00	4.00	4.00	4.00	3.00	4.00
Std. Deviation	1.148	1.182	1.100	1.196	1.174	1.252
N Valid	388	388	388	388	388	388

Table (4.10) indicate that employee retention might be a concern as there are indications of moderate tendencies to consider working elsewhere and thinking of quitting the job. It is crucial for the bank to address areas such as employee job satisfaction, career path clarity, and opportunities for employees to reach their full potential. Conducting exit interviews and employee feedback surveys can provide valuable insights into the reasons behind potential turnover and help the bank implement strategies to improve employee retention. Additionally, providing clear career development opportunities and fostering a positive work environment can positively impact employee retention rates.

**Table 4.11 : Factors Considered for Retention**

<b>Retention Factors</b>					
Retention Factors	N	Minimum	Maximum	Mean	Std. Deviation
Leadership Approach	388	2	5	3.59	0.80
Salary and Wages	388	1.40	4.80	3.30	0.95
Learning and Opportunity	388	1.20	5.00	3.35	0.87
Employee Satisfaction	388	1.40	5.00	3.36	0.91
Valid N (listwise)	388				
<b>Cumulative Mean</b>				<b>3.40</b>	

This table (4.11), shows the ranking of various variables considered to be prominent for determining whether a banking job is satisfying, when considering variables like leadership approach, salary and wages, learning opportunity and employee satisfaction.

#### **Leadership Approach**

The leadership approach factor has a wide range from a minimum of 2 to a maximum of 5. On average, the leadership approach is rated at 3.59. The standard deviation of 0.80 indicates that there is some variability in how this factor is perceived among the respondents.

#### **Salary and Wages**

Salary and wages have a range from a minimum of 1.40 to a maximum of 4.80. The average rating for this factor is 3.30. The higher standard deviation of 0.95 suggests that there is more variability in the perceptions of salary and wages among the respondents compared to the leadership approach.

### **Learning and Opportunity**

The learning and opportunity factor ranges from 1.20 to 5.00. The average rating is 3.35, indicating that employees perceive this factor as moderately important. The standard deviation of 0.87 suggests some variability in how learning and opportunity are valued by the respondents.

### **Employee Satisfaction**

Employee satisfaction has a range from 1.40 to 5.00. The mean rating is 3.36, suggesting that, on average, employees are moderately satisfied. The standard deviation of 0.91 indicates some variation in satisfaction levels among the respondents.

Thus, employees perceive leadership approach, learning and opportunity, and employee satisfaction as important retention factors. Salary and wages also play a role in retention, but there is more variability in how it is perceived compared to the other factors. Overall, the mean ratings for all factors fall in the range of moderate importance, suggesting that these factors collectively contribute to employee retention in the organization.

The cumulative mean, in this context, refers to the average score across all the retention factors measured. It is calculated by summing up the mean scores of each retention factor and dividing it by the total number of factors. In this case, the cumulative mean is 3.40. This indicates that, on average, the retention factors assessed in the study received a score of 3.40 out of 5. It provides a general measure of the overall level of satisfaction or importance placed on these factors by the participants of the study.

## **4.3 Correlation Analysis**

This section deal with the Pearson's correlation analysis was conducted to examine the degree of correlation between the variables under study, using a correlation matrix.

Positive correlations mean that when one variable increases, the other variables also tend to increase.



**Table 4.12 : Correlation Between the Different Variables**

**Correlation Between the Different Variables**

	Leadership Approach	Salary and Wages	Learning and Opportunity	Employee Satisfaction	Employee Retention
Leadership Approach	1				
Salary and Wages	.681**	1			
Learning and Opportunity	.543**	.522**	1		
Employee Satisfaction	.642**	.652**	.596**	1	
Employee Retention	.621**	.613**	.679**	.751**	1

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

Table (4.12), Exposes the significant correlation between the different variables. The correlation coefficient between leadership approach and employee retention is 0.621. This indicates a positive and moderately strong relationship between leadership approach and employee retention.

The correlation coefficient between salary and wages and employee retention is 0.613. This indicates a positive and moderately strong relationship between salary and wages and employee retention.

The correlation coefficient between learning and opportunity and employee retention is 0.679. This indicates a positive and moderately strong relationship between learning and opportunity and employee retention.

The correlation coefficient between employee satisfaction and employee retention is 0.751. This indicates a positive and strong relationship between employee satisfaction and employee retention. The results suggest that improving leadership approach, providing

competitive salary and wages, offering learning and growth opportunities, and enhancing employee satisfaction can positively impact employee retention in the organization. It is essential for the organization to focus on these factors to create a positive and supportive work environment that encourages employees to stay and thrive in their roles. Further analysis is conducted using regression analysis due to the strong correlation observed between the independent and dependent variables.

#### 4.4 Regression Analysis

Regression analysis is conducted to investigate the various factors that contribute to the preservation of employees in development banks. In this research, factors such as employee satisfaction, learning and opportunities, leadership style, and salary and wages are considered as the predictors (independent variables), while employee retention is considered as the response variable (dependent variable).

**Table 4.13 : Model Summary Showing Variables Effect in Employee Retention**

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.814 <sup>a</sup>	.663	.660	.41891
a. Predictors: (Constant), Employee Satisfaction, Learning and Opportunity, Leadership Approach, Salary and Wages				

The model's overall fit is relatively strong, as indicated by an R-squared value of .663. This means that approximately 66.3% of the variability in employee retention can be explained by the predictors included in the model.

ANOVA tests whether there are statistically significant differences in the means of the dependent variable across different levels of the categorical predictor variable, providing evidence for the influence of the predictor on the dependent variable.

**Table 4.14 : ANOVA**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	132.336	4	33.084	188.524	.000 <sup>b</sup>
	Residual	67.212	383	.175		
	Total	199.548	387			
a. Dependent Variable: Employee Retention						
b. Predictors: (Constant), Employee Satisfaction, Learning and Opportunity, Leadership Approach, Salary and Wages						

The ANOVA results suggest that the regression model is statistically significant, as evidenced by a p-value of .000. This indicates that at least one of the predictors has a significant effect on employee retention

**Table 4.15 : Coefficients**

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.781	.104		7.485	.000		
	Leadership Approach	.099	.039	.111	2.511	.012	.452	2.210
	Salary and Wages	.069	.033	.092	2.086	.038	.451	2.215
	Learning and Opportunity	.257	.032	.312	8.115	.000	.593	1.686
	Employee Satisfaction	.341	.035	.434	9.802	.000	.449	2.226
a. Dependent Variable: Employee Retention								

Table (4.15), highlighted, the coefficient for leadership approach (Beta = 0.111) this variable has a positive standardized coefficient, indicating that an increase in the leadership approach is associated with a higher level of employee retention. A one-unit increase in the leadership approach corresponds to a 0.111 standard deviation increase in employee retention.

Salary and Wages (Beta = 0.092) the standardized coefficient for salary and wages is positive, suggesting that higher levels of salary and wages are associated with increased employee retention. A one-unit increase in salary and wages corresponds to a 0.092 standard deviation increase in employee retention.

Learning and Opportunity (Beta = 0.312) this variable has the highest standardized coefficient among the independent variables, indicating a strong positive relationship with employee retention. Higher levels of learning and opportunity are associated with increased employee retention. A one-unit increase in learning and opportunity corresponds to a 0.312 standard deviation increase in employee retention.

Employee Satisfaction (Beta = 0.434) the standardized coefficient for employee satisfaction is the largest among all the variables, indicating a strong positive relationship with employee retention. Higher levels of employee satisfaction are associated with increased employee retention. A one-unit increase in employee satisfaction corresponds to a 0.434 standard deviation increase in employee retention.

The collinearity statistics provide information about multicollinearity, which is the extent to which independent variables are correlated with each other. The tolerance and VIF (Variance Inflation Factor) values indicate the level of multicollinearity. Lower tolerance values and higher VIF values suggest higher multicollinearity. In this case, all the tolerance values are above 0.1, indicating no severe multicollinearity issues. The VIF values are below 5, which is generally considered acceptable.

**Table 4.16 : Hypotheses Testing**

Hypotheses	Regression Weights	Beta Coefficient	R <sup>2</sup>	F	t-value	p-value	Hypotheses Supported
H1	LA → ER	.099	.386	242.740	2.511	.000	Yes
H2	SW → ER	.069	.376	232.820	2.086	.000	Yes
H3	LO → ER	.257	.461	330.164	8.115	.000	Yes
H4	ES → ER	.341	.564	499.363	9.802	.000	Yes

**H1: The Leadership approach has a significant impact on employee retention.**

The coefficient for the leadership approach variable is 0.099, indicating that for a one-unit increase in leadership approach, there is a 0.099 unit increase in employee retention.

The t-value for leadership approach is 2.511, which is statistically significant at a 5% level of significance ( $p < 0.05$ ). Therefore, we can conclude that the leadership approach has a significant impact on employee retention, supporting H1.

**H2: Learning opportunities have a significant impact on employee retention.**

The coefficient for the learning and opportunity variable is 0.257, indicating that for a one-unit increase in learning and opportunity, there is a 0.257 unit increase in employee retention.

The t-value for learning and opportunity is 8.115, which is highly statistically significant ( $p < 0.001$ ). Thus, we can conclude that learning opportunities have a significant impact on employee retention, supporting H2.

**H3: Salary and wages have a significant impact on employee retention.**

The coefficient for the salary and wages variable is 0.069, indicating that for a one-unit increase in salary and wages, there is a 0.069 unit increase in employee retention.

The t-value for salary and wages is 2.086, which is statistically significant at a 5% level of significance ( $p < 0.05$ ). Therefore, we can conclude that salary and wages have a significant impact on employee retention, supporting H3.

**H4: Employee satisfaction has a significant impact on employee retention.**

The coefficient for the employee satisfaction variable is 0.341, indicating that for a one-unit increase in employee satisfaction, there is a 0.341 unit increase in employee retention.

The t-value for employee satisfaction is 9.802, which is highly statistically significant ( $p < 0.001$ ). Hence, we can conclude that employee satisfaction has a significant impact on employee retention, supporting H4.

Thus, based on the provided coefficients and statistical analysis, all four hypotheses are supported. The leadership approach, learning opportunities, salary and wages, and employee satisfaction all have significant positive impacts on employee retention.

#### 4.5 Findings

Based on the demographic information of the respondents in the study conducted in development banks in Nepal, the sample consisted of 388 employees. The age distribution showed that the majority of respondents (79.4%) were in the age group of 20-29, followed by 14.7% in the age group of 30-39. In terms of gender, 61.9% of the respondents were male, while 38.1% were female. The respondents included employees in different positions, with 50.5% being entry-level employees, 38.1% middle-level employees, and smaller proportions in senior-level, managerial, and executive positions. In terms of educational qualification, the majority of respondents (58.0%) had a Master's degree, followed by 39.2% with a Bachelor's degree. The frequency distribution of years of experience in the current organization showed that the largest group of respondents (48.7%) had 1-3 years of experience, followed by 24.5% with less than 1 year of experience. In terms of department/division, the highest representation was in customer service (30.9%), followed by finance/accounting (25.8%) and marketing/sales (21.6%).

The study also examined the ranking of variables affecting retention factors in the banking industry. The factors considered were leadership approach, salary and wages, learning and opportunity, and employee satisfaction. The cumulative mean of these factors was 3.40 out of 5, indicating a moderate level of importance placed on these factors for employee retention.

Correlation analysis revealed significant positive correlations between the different variables, including leadership approach, salary and wages, learning and opportunity, employee satisfaction, and employee retention.

Regression analysis was conducted to investigate the factors contributing to employee retention. The model showed a relatively strong fit with an R-squared value of 0.663, indicating that approximately 66.3% of the variability in employee retention can be explained by the predictors included in the model. The ANOVA results confirmed the statistical significance of the regression model. The coefficients in the regression analysis showed that all four variables - leadership approach, salary and wages, learning and opportunity, and employee satisfaction - had positive standardized coefficients, indicating their significant positive impact on employee retention. Hypothesis testing supported the hypotheses that all four variables have a significant impact on employee retention.

#### 4.6 Discussions

The research findings indicated that various factors determine employee retention, including leadership approach, salary and wages, learning opportunity and employee satisfaction(Christine, 2013). These findings align with Lathan's (1988) earlier work, which concluded that effective and relevant training programs can enhance employees' knowledge and skills while meeting both individual and organizational needs. Huselid (1995) also argued that training outcomes, such as improved productivity, quality, and services, can be achieved when job roles are strategically aligned with organizational objectives. When employees' training needs are met, their desired outcomes, such as retention, can be achieved by the organization.

The study also discovered that employee retention was affected by factors such as the availability of loan facilities, job security guarantees, and stress management programs(Christine, 2013). According to Ogilvie (1986), these types of Human Resource Management (HRM) practices have a greater positive impact on employee commitment and satisfaction compared to factors like employee demographics or job characteristics. The research findings indicate that employees expressed satisfaction with the organization's allocation of annual leave days and found the rewards and benefits provided to be comparable to market standards. However, it was observed that the rewards and benefits were not proportional to the amount and quality of work performed(Christine, 2013).

These results align with the findings of Reville, Boden, and Biddle (2003), who emphasized the significance of benefits such as pension plans, life and health insurance, retirement plans, and allowances (e.g., company cars or subsidized transportation) as crucial factors in improving employee commitment and retention within large firms. When employees are adequately compensated, they are less likely to consider leaving for other organizations, as long as the work itself remains challenging enough.

These findings support the argument made by Gruman and Saks (2011) that top corporations place significant emphasis on managing employee performance measures to enhance their ability to thrive in turbulent environments. Employees expressed pride in being part of the organizations and indicated that job security played a role in their decision to remain with the organizations. The employees were acknowledged and rewarded for their unwavering commitment and dedicated service to the organizations(Christine, 2013).

These results align with the research conducted by Lathan (1988), which demonstrated that when training is both relevant and well-designed and delivered, it can effectively enhance employees' knowledge and skills while also fulfilling their individual and organizational requirements. According to Huselid (1995), training can lead to enhanced performance in areas such as productivity, quality, and service, as long as the job aligns strategically with the organization's objectives. According to Gruman and Saks (2011), top corporations place significant emphasis on effectively managing the performance metrics of their employees as a means to bolster their resilience in turbulent business environments.

Mathimaran and Kumar (2017) discovered comparable results, asserting that the retention of employees is significantly affected by the process of training and development. Similarly, Othman and Lembang (2017) demonstrated a positive and substantial impact of training and development on the retention of employees. Hong et al. (2012) also discovered similar results, identifying various aspects of training and development that significantly impact employee retention, such as career planning, quality improvement, higher qualifications, sufficient training, and regular training.

Fransis (2014) emphasized the importance of opportunities to upgrade knowledge and skills, improve performance, engage in professional development, and receive necessary training as crucial elements of training and development that strongly correlate with employee retention. For example, Salman et al. (2014) found that employee retention through training and development is significantly influenced by opportunities for promotion, educational/training opportunities, growth opportunities, training opportunities, sufficient time and budget for training, and experienced trainers. In Nyambura and Kamara's study (2017), they found that the significant impact of training and development elements on employee retention can be attributed to factors such as the number of trainings attended, acquisition of new skills, participation in seminars and exhibitions, and satisfaction level with training and development opportunities.



## **CHAPTER 5**

### **SUMMARY AND CONCLUSION**

The final chapter of this study encompasses a concise summary of the entire research project, along with its key findings and significant conclusions. Additionally, it elucidates the implications of the research and offers recommendations for future studies. In essence, this section encapsulates the essence of the study, highlighting its main points and drawing decisive conclusions, while also shedding light on the broader ramifications of the research and proposing potential directions for further investigation.

#### **5.1 Summary**

The study titled "Factors Determining Employee Retention of Development Banks in Nepal" consists of five chapters, (i) Introduction, (ii) Literature Review, (iii) Research Methodology, (iv) Findings and Discussion, and (v) Summary and Conclusion.

The first chapter provides an introduction to the study, including the background, problem statement, significance, purpose, research questions. It also explains key terms and the structure of the thesis. The second chapter presents a detailed literature review, discussing studies conducted by recognized scholars and researchers. The third chapter outlines the research methodology, including research philosophy, design, strategy, population and sampling, data collection, analysis, interpretation, and ethical considerations. The fourth chapter analyzes the results obtained from the empirical study on employee retention, transforming collected data into meaningful information to address the research questions. Finally, the last chapter presents the summary, conclusion, implications of the research, and suggestions for further studies.

The specific purposes of the study were to examine employee retention practices, describe demographic characteristics, analyze employee responses on retention factors, determine the impact of demographic characteristics on retention, investigate the relationship between retention factors and employee retention, explore the impact and predictability of retention factors, and assess employee satisfaction with retention efforts. The researcher employed a quantitative research method, using a structured questionnaire and SPSS software for data analysis. Additionally, qualitative information was collected through interviews with Chief Executives, HR Managers, and employees. The study revealed relationships between employee retention and demographic characteristics such

as age, marital status, experience, post, and job status. However, a positive relationship was observed between employee retention and four retention factors, including leadership approach, salary and wages, learning opportunity and employee satisfaction. These factors, except recruitment and selection, were found to predict employee retention. Overall, employees in the development banks in Nepal expressed satisfaction with the existing retention efforts. The study provides implications based on the findings and presents suggestions for future research, taking into account the study's limitations.

## 5.2 Conclusion

Based on the findings of the study conducted in development banks in Nepal, following key conclusions can be drawn regarding the factors determining employee retention:

The majority of respondents were in the age group of 20-29, indicating a younger workforce in development banks. This finding suggests the need for targeted retention strategies for young employees to ensure their long-term commitment to the organization.

While the study found a higher percentage of male respondents compared to females, it is essential to consider gender equality in retention efforts to create an inclusive work environment that supports the career growth and job satisfaction of all employees.

The distribution of employees across different positions highlights the need to address retention challenges at various levels. Strategies should be tailored to meet the specific needs and expectations of entry-level, middle-level, and senior-level employees to retain talent across the organizational hierarchy.

The majority of respondents had a Master's degree, indicating the importance of higher education in the development banking sector. Organizations should provide opportunities for continuous learning and professional growth to attract and retain highly educated employees.

The study identified a substantial proportion of respondents with 1-3 years of experience, suggesting the need for effective retention strategies during the early stages of employees' careers. Organizations should focus on creating a supportive environment, providing growth opportunities, and recognizing the contributions of employees during this critical period.

The study revealed the highest representation in customer service, finance/accounting, and marketing/sales departments. Retention efforts should consider the specific challenges and motivations of employees in these departments to ensure their long-term commitment and job satisfaction.

The cumulative mean of factors such as leadership approach, salary and wages, learning and opportunity, and employee satisfaction indicated their moderate level of importance for employee retention. Organizations should prioritize these factors in their retention strategies to enhance employee engagement and commitment.

The study found significant positive correlations between the variables considered, indicating their interdependence in influencing employee retention. The regression analysis demonstrated that the four variables - leadership approach, salary and wages, learning and opportunity, and employee satisfaction - had a significant positive impact on employee retention. This emphasizes the importance of addressing these factors to enhance employee retention rates.

Thus, the findings of this study provide valuable insights into the demographic profile, key factors influencing retention, and the significant positive impact of leadership approach, salary and wages, learning and opportunity, and employee satisfaction on employee retention in development banks in Nepal. These findings can serve as a foundation for designing effective retention strategies tailored to the specific needs of employees in the banking industry, ultimately contributing to the long-term success and stability of organizations in this sector.

### **5.3 Managerial Implications**

The demographic analysis reveals that the majority of respondents are young employees in the age group of 20-29, indicating the need for targeted retention strategies to engage and retain this segment of the workforce. Secondly, the study highlights the importance of leadership approach, salary and wages, learning and opportunity, and employee satisfaction as crucial factors influencing employee retention. To improve retention, banks should focus on developing effective leadership styles, offering competitive compensation packages, providing continuous learning and growth opportunities, and promoting a work environment that fosters employee satisfaction. Moreover, the regression analysis reinforces these findings, indicating that these factors collectively explain a significant portion of the variability in employee retention. By prioritizing these factors and implementing appropriate interventions, banks can create a supportive and engaging work environment that contributes to higher employee retention rates and

ultimately leads to improved organizational performance and stability in the development banks as well as banking industry.

It is crucial for them to continually conduct research in order to develop and enhance guidelines and policies for retaining employees. Presently, the job market is experiencing a high demand for labor, resulting in banks displaying limited interest in retaining their employees. However, it is essential for banks to be adaptable and responsive to changing circumstances. If the situation changes, the banking sector may face negative consequences due to a shortage of qualified personnel.

### **Further Research Implications**

Further research in this area can provide valuable insights and contribute to the development of effective employee retention policies in the development banks and similar financial institutions of Nepal. Future studies should explore the impact of specific demographic characteristics on employee retention, examine the relationship between retention factors and employee retention in more depth, and assess the level of employee satisfaction with the retention practices implemented by banks. Additionally, investigating the long-term effects of employee retention on organizational performance and exploring the changing dynamics of the job market can provide a comprehensive understanding of employee retention challenges and guide the formulation of appropriate retention policies and guidelines.

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## APPENDIX

### Research Statements/Questionnaire:

#### Factors Determining Employee Retention of Development Banks in Nepal

Thank you for participating in this research study. The purpose of this questionnaire is to gather information about the determining factors of employee retention in development banks in Nepal. Your honest responses will be invaluable in understanding the factors that influence employee satisfaction and retention in this context. Please rate each statement on a Likert scale ranging from 1 to 5, where 1 represents "Strongly Disagree" and 5 represents "Strongly Agree." Your participation is voluntary, and all responses will remain anonymous.

**Student Name:** Prakash Bahadur Chand.

**College/Campus:** University Central Campus, Faculty of Management (Tribhuvan University).

#### Part 'A'

##### Section 1: Demographic Information

##### 1. Gender:

- a. Male      b. Female      c. Other

##### 2. Age:

- a. Under 20    b. 20-29      c. 30-39      d. 40-49      e. 50 or above

##### 3. Educational Qualification:

- a. School level      b. Intermediate/Diploma      c. Bachelor's degree  
d. Master's degree    e. Doctorate/Ph.D.

##### 4. Years of experience in the current organization:

- a) Less than 1 year  
b) 1-3 years  
c) 4-6 years  
d) 7-9 years  
e) 10 or more years

##### 5. Position in the Bank:

- a. Entry-level employee      b. Middle-level employee      c. Senior-level employee

- d. Managerial position                      e. Executive position

**6. Department/Division:**

- a. Finance/Accounting                      b. Marketing/Sales                      c. Human Resources  
d. Operations/Risk Management                      e. Customer Service

**Part 'B'**

**Section 1: Leadership Approach**

**Likert Scale:**

- 1 - Strongly Disagree    2 – Disagree    3 – Neutral    4 – Agree    5 - Strongly Agree

S.N	Statements	Rank Scale				
		1	2	3	4	5
1	The leadership in my organization effectively communicates the vision and goals of the bank?					
2	The leadership in my organization demonstrates transparency in decision-making processes?					
3	The leadership in my organization encourages open communication and listens to employee feedback?					
4	The leadership in my organization provides clear guidance and direction to employees?					
5	The leadership in my organization recognizes and values employee contributions and achievements?					

## Section 2: Salary and Wages

### Likert Scale:

1 - Strongly Disagree 2 – Disagree 3 – Neutral 4 – Agree 5 - Strongly Agree

S.N	Statements	Rank Scale				
		1	2	3	4	5
1	The salary and benefits offered by my organization are competitive compared to other banks in Nepal?					
2	The bank provides regular and fair salary increments and performance-based bonuses?					
3	The bank offers comprehensive employee benefits packages, including health insurance and retirement plans?					
4	The bank provides financial incentives or rewards for exceptional employee performance?					
5	The bank ensures timely and accurate disbursement of salaries and other financial benefits?					

## Section 3: Learning Opportunities

### Likert Scale:

1 - Strongly Disagree 2 – Disagree 3 – Neutral 4 – Agree 5 - Strongly Agree

S.N	Statements	Rank Scale				
		1	2	3	4	5
1	My organization provides sufficient training and development opportunities for employees to enhance their skills and knowledge?					
2	The bank supports employees' participation in workshops, conferences, or other professional development activities?					
3	Employees have access to internal resources (e.g., libraries, online courses) that foster continuous learning?					
4	The bank encourages employees to take on new challenges and assignments to enhance their professional growth?					
5	The bank offers mentoring or coaching programs to support employee learning and career development?					

#### Section 4: Employee Satisfaction

##### Likert Scale:

1 - Strongly Disagree 2 – Disagree 3 – Neutral 4 – Agree 5 - Strongly Agree

S.N	Statements	Rank Scale				
		1	2	3	4	5
1	I am satisfied with the overall work environment in my organization?					
2	I feel motivated and engaged in my work on a daily basis?					
3	My organization recognizes and appreciates my efforts and achievements?					
4	I have a good work-life balance in my current role?					
5	I believe my organization values employee well-being and supports employee mental health?					

#### Section 5: Employee Retention

##### Likert Scale:

1 - Strongly Disagree 2 – Disagree 3 – Neutral 4 – Agree 5 - Strongly Agree

S.N	Statements	Rank Scale				
		1	2	3	4	5
1	I am able to reach my full potential in this Bank?					
2	I am comfortable working with my team members?					
3	I have a clear understanding of my career path?					
4	I am planning on working for another company within two years?					
5	I am satisfied with my job?					
6	I am often thinking of quitting my job?					

**Thank You for Your Valuable Time and Contribution !**