

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Employee Turnover Intention in Some Selected Commercial Banks in Bangladesh: An Application of Multiple Linear Regression Model

A. S. M. Sarfaraz Nawaz

Professor, Department of Management, Islamic University, Kushtia, Bangladesh

Md. Toufiqur Rahman

Executive Officer, Southeast Bank Ltd., Dhaka, Bangladesh

Abstract:

The modern business world is rapidly changing and has been characterized by limited and scarce labor market which is highly dynamic and consumer centric. As a result, a severe competition exists among the organizations that face a big challenge to formulate strategies that will help them use competencies and talent possessed by their human resources. The main objective study is to find out the factors influencing employee turnover in bank employees in Bangladesh. The primary data have been collected through a questionnaire survey with a sample of 125 respondents taken from five banks. The analysis of the primary data focused on OLS method which revealed reward, career growth, job security and compensation package to significantly influence turnover intention among the bank employees. Towards the end, the researchers provided some suggestions to reduce turnover intention among the employees.

Keywords: Commercial Bank, HRM, Turnover, OLS.

1. Introduction

One of the major goals of Human Resources Management is to develop competent and satisfied employees to achieve higher organizational productivity. The stem of this issue lied in the development of scientific management developed by F.W. Taylor after the industrial revolution. Subsequently, there has been emergence of behavioral approach under the leadership of Elton Mayo to evaluate the employees as human beings instead of machines. This is why the significance of human resources in an organization increased rapidly. Therefore, HRM practitioners face a huge challenge to manage employees so that they can ensure organizational success. One of the most significant challenges is to retain key employees for the organization because human resources are inimitable and competitors always try to capitalize on this strategy of inducing employees from rival organization. Such strategies are mostly used by the companies to capitalize on the skills, knowledge, abilities and behaviors of the employees (Delery & Doty, 1996). Turnover of employees either willingly or by force results in awfully serious consequences. Higher rate of employee turnover costs an organization both financially and non-financially. Financial costs of high turnover include hiring expense of new employee, training and adaptation of the fresher. On the other hand, non-financial costs include decreasing productivity and opportunities amounting 70–85% of the total loss (Slavianska, 2012). However, it is obvious that turnover will exist in an organization but there should be a reasonable level that is industry average and not higher than that (education-portal.com, 2015).

Different researchers have defined 'Turnover' from different view point. Turnover can be found by dividing the number of employees left during a period by the average number of employees working during that period (Price, 1977). Turnover is often expressed in percentage and calculated for a period of one year or less (management.about.com, 2015). Managers view turnover has a cycle of filling vacancy. When a post is vacant, a new employee is hired and trained to fill up the vacancy. The economy of Bangladesh is highly dependent to its flourishing banking sector that facilitated 68.98% of the GDP in the form of domestic credit in 2012 (tradingeconomics.com, 2014). Even such important organizations are not free from employee turnover problems. The study however, considers some commercial banks in Bangladesh to explore the causes of employee turnover intention and their significance.

2. Literature Review

Both academics and managers paid high attention to employee turnover in organizations. Their main focus is to understand the causes of turnover, its effects, impact on organizational performances etc. However, this paper focuses on the causes of employee turnover. The assumptions in this regard state that turnover is led by distinguishable characteristics of employees, jobs, companies, and markets. It is also assumed that managers can come up with innovative policies to manage these characteristics so that they can reduce the level of turnover in their organizations (Zeynep & Huckman, 2008).

Turnover occurs due to various reasons. Employees are often attracted by new jobs and quit from their current job. On the other hand, employees are also forced to job because of their dissatisfaction as a result of unfavorable workplace. Another significant reason of turnover is poor relationship with the management (Campion, 1991).

There are very few people who do not quit their current job even though the new job would yield higher salary for them (Carsten and Spector, 1987). Sometimes voluntary turnover depends on lack of proper training & development and job security in existing position. Improper supervision by the managers can also lead to employee turnover in the organization (Hutchinson and Purcell, 2003). A number of research revealed that turnover is correlated with job satisfaction and organizational commitment. The more the employee feels disappointed the higher the possibility to quit the job (Mobley, 1982). Normally, banking procedures are repetitive and boring due to simple and routine based work arrangements that hardly allow employees to apply innovation and creativity. Therefore, employees do not continue with the present job for a long time unless they enjoy having control and freedom to perform their task (Stairs & Porter, 1991).

On the basis of the literature review above, the best HR practices are compensation packages, career growth, job stress, working environment, supervisor’s support, training, job security, employee reward, retirement scheme etc. Although the researchers have gone through a large number of literatures on turnover in organizations, they could hardly found any universally accepted model or framework that can explain causes of employee turnover. This is why they have set the following objectives to conduct their study.

3. Objectives of the Study

The main objective of the study is to explore the employee turnover intention scenario of the commercial banks in Bangladesh. To be precise, the researchers have intended to look into the following issues.

- To find out the causes of employee turnover intention in the selected banks.
- To arrange the causes on the basis of their significance to employee turnover intention.
- To recommend some suggestions on the basis of the findings of the study.

4. Methodology

This study is based on primary and secondary data collected from different banks in Dhaka City. The researchers have randomly selected 05 private commercial banks from 56 scheduled banks in the country. The selected banks are BASIC Bank Ltd., Southeast Bank Ltd., BRAC Bank, NCC Bank Ltd. and Union Bank Ltd. The non-proportional quota sampling method was used in conducting the survey which will ensure that a number of sub-groups of bank employees (population) in the banks are considered. As all the banks in Bangladesh are operated on the basis of almost same rules and regulations, so the sample is to be considered as representative.

Primary data were collected through semi-structured questionnaire survey among 125 respondents taken from 05 banks. To make the samples representative, the researchers selected 05 employees each from sub-group of Assistant Vice President and above, Principal Officer, Senior Officer, Officer and Junior Officer from every bank.

The researchers used the scale recommended by Camman, Fichman, Jenkins and Klesh (1979) to measure Turnover intention. The study instruments were designed to obtained data on the basis of a 5 point Likert Scale for measuring employee intention towards turnover which is the dependent variable for this study. The researchers considered turnover as switching between banks by the employees. The independent variables or predictor variables that determine the turnover intention were identified from literature review and a focus group discussion. A bi-variate correlation analysis was run to find out the independent variables that have significant correlation with turnover. The Ordinary Least Square (OLS) or Linear Least Square method was used to construct a multiple linear regression model that explains the variability of the dependent variable. The formula used to develop the multiple linear model is shown below;

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + \dots + b_nx_n + \epsilon$$

Where, *Y* = Dependent Variable (Turnover Intention), *a* = Constant (Intercept), *b_i* = Coefficients of Independent Variable, *x_i* = Independent Variables and ϵ = Standard error.

5. Analysis and Findings of the Study

The analysis for this study has been performed in two different stages. In the first stage, the researchers conducted a correlation analysis between the dependent variable and all the independent variables. The following table was obtained from SPSS.

		Correlations										
		Turnover Intention	Compensation Package	Career Growth	Job Stress	Working Environment	Job Satisfaction	Job Security	Supervisor's Support	Training	Reward	Retirement
Turnover Intention	Pearson Correlation	1	.643**	.661**	.005	.012	.516**	.598**	.032	-.075	.224*	.239**
	Sig. (2-tailed)		.000	.000	.954	.894	.000	.000	.727	.403	.012	.007
	N	125	125	125	125	125	125	125	125	125	125	125

Table 1: Correlation between Dependent and Independent Variables

From Table 1, it is observed that Job Stress, Working Environment, Supervisor’s Support and Training are not significantly correlated with Turnover Intention. On the other hand, Compensation package, Career Growth, Job Satisfaction, Job Security, Reward and Retirement are significantly correlated with Turnover Intention. However, the researchers decided to include all the independent variables in the regression analysis on the basis that there might be some combined effects on turnover intention from the independent variables that were found insignificantly correlated. Moreover, the second objective of the study was to rank the factors affecting turnover intention and thus the researchers had to consider all the independent variables in the analysis.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.773 ^a	.598	.563	.911

a. Predictors: (Constant), Retirement, Working Environment, Job Satisfaction, Training, Reward, Job Stress, Supervisor's Support, Career Growth, Job Security, Compensation Package

Table 2: Model Summary including all independent Variables

Table 2 shows the model summary that indicates that the model used by the researchers can explain more than 77% variability in the dependent variable.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.128	.527		-.242	.809
	Compensation Package	.206	.093	.211	2.207	.029
	Career Growth	.348	.081	.364	4.308	.000
	Job Stress	.013	.103	.008	.126	.900
	Working Environment	-.083	.079	-.070	-1.056	.293
	Job Satisfaction	.113	.072	.116	1.559	.122
	Job Security	.184	.074	.205	2.498	.014
	Supervisor's Support	-.045	.085	-.036	-.527	.599
	Training	.156	.080	.135	1.953	.053
	Reward	.173	.066	.168	2.630	.010
	Retirement	.063	.071	.057	.891	.375

a. Dependent Variable: Turnover Intention

Table 3: Coefficients of all independent variables

The researchers further enquired of the independent variables on the basis of their significance (Last Column of the table) value stated in Table 3 and found that Job Stress, Working Environment, Job Satisfaction, Supervisor's Support and Training and Retirement have insignificant contribution in the model. The researcher again ran the model in SPSS by excluding the insignificant independent variables.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.753 ^a	.567	.552	.922

a. Predictors: (Constant), Reward, Job Security, Career Growth, Compensation Package

Table 4: Final Model Summary

The final model summary in Table 4 shows that the independent variables: Compensation, Job Security, Career Growth, and Reward can explain more than 75% variability of turnover intention. Further, the researchers wanted to determine whether this 75% variability is statistically significant or occurred by chance and intended to analyze the results shown in Table 5.

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	133.284	4	33.321	39.221	.000 ^a
	Residual	101.948	120	.850		
	Total	235.232	124			

a. Predictors: (Constant), Reward, Job Security, Career Growth, Compensation Package
b. Dependent Variable: Turnover Intention

Table 5: Turnover Intention ANOVA

From Table 5, it can be observed that $F(4,120) = 39.221$, $p < 0.05$ which indicates that the regression is statistically significant.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.468	.281		1.664	.099
	Compensation Package	.219	.090	.224	2.426	.017
	Career Growth	.350	.080	.366	4.395	.000
	Job Security	.219	.072	.244	3.039	.003
	Reward	.162	.062	.157	2.600	.010

a. Dependent Variable: Turnover Intention

Table 6: Coefficients of Selected Independent Variables

Table 6 clearly indicates that compensation package, career growth, job security and reward all are significant to explain the variance in the dependent variable. The researchers developed the formula below on the basis of the model coefficients:

- Turnover Intention (Y) = $\{0.468 + 0.219$ (Compensation Package) $+ 0.35$ (Career Growth) $+ 0.244$ (Job Security) $+ 0.157$ (Reward) $+ 0.281\}$

Hence, the OLS method concludes that Reward, Job Security, Career Growth, Compensation Package are highly significant to turnover intention among bank employees. In this regard, statistically insignificant variables are training, job satisfaction, working environment, retirement, supervisor's support and job stress. However, all the independent variables are ranked in Table 6 on the basis of their significance.

Rank	Independent Variable	pValue (Sig)
1	Career Growth	0.000
2	Reward	0.010
3	Job Security	0.014
4	Compensation Package	0.029
5	Training	0.053
6	Job Satisfaction	0.122
7	Working Environment	0.293
8	Retirement	0.375
9	Supervisor's Support	0.599
10	Job Stress	0.900

Table 7: Independent Variables Ranked on the basis of Significance

Table 7 suggests that turnover intention among the bank employees is mostly influenced by career growth followed by reward, job security and compensation package. However, the least important factor found by the study is job stress followed by supervisor's support, retirement, working environment, job satisfaction and training.

6. Recommendation and Conclusion

It is inevitable that; modern business organizations are experiencing significant problems due to high rate of employee turnover. Different studies revealed that turnover can cost up to 20% of an employee's annual salary to recruit, select and train suitable replacement (americanprogress.org, 2012). This is why each and every organization wants reduce employee turnover. On the basis of the findings, the management of banking organizations in Bangladesh need to consider the following suggestions to reduce employee turnover intention.

- Job security is one of the major concerns among the employees to switch between banks. Hence, management should take initiative to reduce the threat of losing job among the employees.
- Hard working employees must receive rewards of their dedication and commitment either in financial or non-financial form.
- Bank employees often intend to change banks due to not getting their desired promotion. So, promotion must be based on performance.
- Compensation packages should reflect the industry average and employee capability performance.

Besides the above, the management should also pay attention towards balancing work loads, friendly employee relationships, trust employees with responsibility, hiring more selectively, conducting regular employee reviews and exit interviews, engaging employees working in teams, training employees with latest skill updates, effective supervision, regular appraisals (Hutchinson and Purcell, 2003).

The researchers acknowledge that a different set of data obtained from a large sample size covering more banks and diversified job level can obtain more reliable and consistent data. However, despite some limitations, the study revealed a comprehensive scenario of turnover intention among the banks employees in Bangladesh that can certainly be helpful for the decision makers to formulate their policies to reduce and control employee turnover and secure sustainable profitability and growth.

7. References

- i. americanprogress.org, (2012), Available at: <http://www.americanprogress.org/issues/labor/report/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/> [Accessed on February 05, 2016]
- ii. Camman, C., Fichman, M., Jenkins, D. & Klesh, J. (1979). The Michigan Assessment Questionnaire. Unpublished manuscripts. University of Michigan, Ann Arbour.
- iii. Campion, M.A. (1991). Meaning and Measurement in Turnover: Comparison of Alternative Measures and Recommendations for Research. *Journal of Applied Psychology*, 76, 199-212.
- iv. Carsten, J.M. & Spector, P.E. (1987). Unemployment, Job Satisfaction, and Employee Turnover: A Meta-Analytic Test of the Machesney Model. *Journal of Applied Psychology*, 72, 374-381.
- v. Delery, J.E. & Doty, D.H. (1996). Modes of theorizing the strategic HRM: Tests of universalistic, contingency, and configurational performance predictions. *Academy of Management Journal*, 39(4), 802-835.
- vi. education-portal.com, (2015), Available at: <http://education-portal.com/academy/lesson/what-is-employee-turnover-definition-cost-reasons.html> [Accessed on January 23, 2016]
- vii. Hutchinson, S. & Purcell, J. (2003), Bringing policies to life: the vital role of front line managers in people management. Executive briefing. London: Chartered Institute of Personnel and Development. Available at <http://www.cipd.co.uk/bookstore> [Accessed on Jan 30, 2016]
- viii. Lee, T. & Mitchell, T. (2000). Control Turnover by Understanding its Causes. *Handbook of Principles of organizational Behavior*. Malden, MA: Blackwell Publishers Ltd, 90-104.
- ix. management.about.com, (2015), Available at: <http://management.about.com/od/metrics/g/Turnover.htm> [Accessed on January 23, 2016]
- x. Mobley, W.H. (1982): *Employee Turnover: Causes, Consequences and Control*. Addison-Wesley reading,
- xi. Price, J.L., (1977). *The study of turnover*, 1st Edition, Iowa State University Press, 10-25
- xii. Price, J.L. & Mueller, C.W. (1981). A Causal Model of Turnover for Nurses. *Academy of Management Journal*, 24, 543-565.
- xiii. Slavianska, V. (2012), Measuring the Impact of Human Resource Management Practices on Employee Turnover, *Problems of Management in the 21st Century*, 4, 63-73.
- xiv. tradingeconomics.com, (2014). Available at: <http://www.tradingeconomics.com/bangladesh/domestic-credit-provided-by-banking-sector-percent-of-gdp-wb-data.html> [Accessed on February 07, 2016]
- xv. Zeynep, T. & Huckman, R.S. (2008). Managing the Impact of Employee Turnover on Performance: The Role of Process Conformance, *Organization Science*, 19(1), 56-68.