

**INFLUENCE OF HUMAN RESOURCE
PRACTICES AND EMPLOYEE TURNOVER
ON ORGANIZATION PERFORMANCE IN
SELECTED COMMERCIAL BANKS
IN PAKISTAN**

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ASIA e UNIVERSITY

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INFLUENCE OF HUMAN RESOURCE PRACTICES AND EMPLOYEE
TURNOVER ON ORGANIZATION PERFORMANCE IN SELECTED
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ABSTRACT

The objective of this research study was to analyze the impact Job Satisfaction, career planning, organizational culture, training and development, employee engagement practices and employee turnover have on organizational performance in the banking sector of Pakistan. The research evaluated the mediating impact of employee turnover in the relationship between Human resources practices and organizational performance. Employee retention is low in the banking sector as employees leave due to low motivation and a high burden of work. The personal and demographic factors are the core reasons found by researchers. In the banking sector, it has been found that the lack of organizational commitment, Job Factors, and Job Satisfaction are the determinants of employee retention. This research has been conducted within the Pragmatism research paradigm which is the combination of both Positivism and Interpretivism. The data has been collected from Officers, Senior Officers, Managers, Vice Presidents, Senior Vice Presidents, and Executive Vice Presidents working in Commercial Banks of Pakistan through questionnaires and interviews. The sample of 385 responses was collected through a self-administered questionnaire from middle and top managers/executives of banks, and five in-depth interviews of Senior Bankers were also conducted to analyze the factors affecting employee turnovers and organizational performance. The research results were analyzed through SPSS Software for quantitative data analysis and NVivo was used to analyze the qualitative data collected from respondents. Structural Equation Modeling (SEM) is was applied to analyze the direct and indirect impacts of variables on employee turnover in the banking industry. The research results reveal that the data reliability of the scale was significant and values of Cronbach's Alpha for all variables were greater than 0.7 which shows the scale used to collect the data was reliable. The structural model analysis was applied to evaluate the significant impact of variables, with Job Satisfaction, Career Planning and development, Organizational culture, training and development, and employee engagement practices as independent variables, Employee Turnover as mediator, and Organization performance as dependent variable. The results showed that Job Satisfaction, Organizational culture, training, and development have a significant impact on employee turnover, and employee turnover has a significant impact on organizational performance in the banking industry based on 't' statistics and probability values of direct effects in SEM. The research results of indirect effects showed that the analysis variable employee turnover has a significant mediating impact on the relationship between Job Satisfaction, Career Planning and Development, Organizational culture and organizational performance, and the other two variables i.e. organizational training and employee engagement did not show the mediating impact. Eleven hypotheses were developed and tested in this research study. This research was focused on the banking sector in Pakistan. The study's emphasis was on commercial banks and employees working in commercial banks. Due to the limitations of cost and time, the researcher was unable to include all conventional banks in Pakistan. The research is useful for the banking sector in Pakistan to analyze employee retention practices, considering that employee turnover is a critical factor for organizations. Banks need to focus on Job Satisfaction, Organizational culture, and Training and Development to keep employees motivated within their organizations. The findings and results of the research can only be generalized to organizations operating in the banking sector in Pakistan. The study will not contribute to the whole Financial Sector of Pakistan; the focus was only on Pakistan's Commercial Banks. This

research will assist in understanding the mere impact of employees and organization performance to maintain the manpower in Banks. This research will identify the reasons/issues involved in employee turnover in Commercial banks in Pakistan and get control over factors identified for employee turnover. The research related to HR practices in Pakistani commercial banks has focused on several constructs individually or in diverse combinations: which are: job satisfaction, career planning, organizational culture, training, and employee engagement. Moreover, research has extensively contributed to the assessment of the impact of the above-mentioned constructs on employee turnover, and similarly, research has significantly contributed to the analysis of the mediating role played by employee turnover in the relationship with organizational performance, offering insights for researchers, HR practitioners, and bank regulators.

Keywords: Job satisfaction, career planning and development, training and development, employee turnover, organizational culture and employee engagement

APPROVAL

This is to certify that this thesis conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the degree of Doctor of Philosophy.

The student has been supervised by: **Assoc Prof Dr Ilham Sentosa**

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Professor Dr Siow Heng Loke

Chairman, Examination Committee

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9th January 2024

DECLARATION

I hereby declare that the thesis submitted in fulfillment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

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Signature of Candidate:

Date: 9 January 2024

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LIST OF ABBREVIATIONS

AeU	Asia e University
ANOVA	Analysis of Variance
HR	Human Resource
CB	Commercial Banks
CSOs	Customer Service Officers
BDOs	Business Development Officers
BMs	Branch Managers
JS	Job Satisfaction
CP	Career Planning and Development
TD	Training and Development
ET	Employee Turnover
OC	Organizational Culture
EE	Employee Engagement

CHAPTER 1

INTRODUCTION

This research is based on the most important factor in today's banking industry is the retention of employees. (P. Wulansari, 2020). Employee contribution is very important for the performance of any organization, it cannot be separated from each other. Employee performance depends on its duration and commitment to the organization. This study is based on the most important factor in today's banking industry i.e. employee engagement and retention. The set of policies of an organization through which talented employees can be retained for longer periods is known as Employee Retention. (Nasir et al., 2019). This factor plays a very vital role as retention is one of the crucial factors for an organization's growth. This research will help commercial Banks' Management to comprehend the factor of retention and its impact on employees.

The banking sector, a critical pillar of the economy, faces a significant challenge i.e. employee turnover. In 2016, the industry saw a concerning 15% turnover rate, disrupting its normal operational cycle. Research suggests that employee dissatisfaction is a key driver of this issue. Implementing an employee engagement and retention program within organizations could be a promising solution to minimize turnover and ensure a more stable workforce.

There are numerous causes for employee turnover in the industry which include organizational commitment, low job satisfaction, and job factors that affect employee motivation hence the employee may leave the organization and search for other opportunities (Aisha, Dania and Samad, 2019). Employee job satisfaction and organizational culture are a significant factor that shapes long-term relationships of

employees towards the organization and employees can perform well and sustain their work in the future (Avery et al, 2007; Buckingham and Coffman, 1999). Employee turnover is examined by various authors and elaborates on the relationship between organizational culture, job satisfaction, employee engagement, job role, and career planning and advancement.

Human Resource Management Practices are quality elements for Bank Performance. The HRM engagement practices have a direct impact on traditional banking performance (Masum et al, 2015). However, this research investigates and encounters the rate of turnover and dissatisfaction levels among staff of Commercial Banks in Pakistan.

Employee turnover is a critical issue in the organization; employee turnover is caused due to organizational culture, job satisfaction, career development, and Job Satisfaction. When employee job satisfaction is low they are facing the issues of lack of motivation and less of organizational commitment. The culture brings energy to employees, when culture does not favor the supervisor role, then it may affect the relationship and cause employee turnover. In the Banking sector employee turnover is affected due to low motivation and job satisfaction and Human resource management strives for better development and growth to enhance motivation and career planning.

Commercial Banks are required to safeguard their clients and potential customers from cash embezzlement and fraud. If the equal is took place by using an employee, then the financial institution might be chargeable for such a negligent act. The identical can occur in prominent methods i.e. not following the usual running techniques or following a malpractice within the banking operations. Malpractice manner misguided act which constitutes the worker for crook act which incorporates

however now not confined to fabrication of bills, fluctuation inside the record or personal files.

(Qasim et al.,2020) The overwhelming amount of work not only discouraged organizational commitment but also likely influenced the workers' intentions regarding turnover. The actual circumstances taking place inside Pakistan's banking sector are not actually explained within the global perspective of the literature that is now available. On the other hand, the research conducted in more developed parts of the world is analogous to and pertinent to the issues that exist in Pakistan. The management of personnel has a propensity to promote and enhance organizational dedication while also minimizing the intentions of employees to leave the organization.

The employee turnover is widespread issue in banking area of Pakistan. Due to worker turnover the productivity and overall performance has been affected (Allen and Mayer, 2017). There are various reasons for worker turnover in industry consists of organizational commitment, low activity satisfaction and activity factors influences the employee motivation and subsequently the worker can also go away employer and search for other opportunities (Aisha, Dania and Samad, 2019). Employee process pleasure and organizational lifestyle are giant element that shapes long time relationship of employees in the direction of organization and worker can perform properly and sustain their paintings in future (Avery et al, 2007; Buckingham and Coffman, 1999). The worker turnover is tested by means of various authors and elaborates the relationship of organizational tradition, process delight, employee engagement, activity position and career planning and advancement. The worker turnover in banking quarter has been accelerated to 35% in 2021 and due to turnover gifted employees may additionally go away and banks faced the troubles of service

first-rate, client awareness, client retention, patron feedback and normal impacts on productiveness. In Pakistan Banking Sector, the Bank Management adopting special Human useful resource Practices for inspecting the reasons of employees' overall performance as a primary organizational indicator of achievement. Human Resource Management Practices are high-quality detail for Bank Performance. The HRM engagement practices have direct impact on conventional banking performance (Masum et al, 2015). However, this research investigates and encounters the price of turnover and dissatisfaction degrees among body of workers of Commercial Banks in Pakistan.

However, in order to achieve these objectives and overcome these problems, certain HR skills and tools are required. We want to be aware of the most current fashion because we want to keep up with the most recent developments in cutting-edge Human Resource Practices. And maybe most crucially, how the ones might lessen the cost of turnover. My acknowledgment might be in the form of professional growth, job happiness, employee engagement, and activity dedication; these factors tend to reduce staff turnover in most major commercial banks in Pakistan.

In the IT Sector and Commercial banks, high turnover is noted due to which their performance is decreasing and the issue of management of talent arises. (Salman, Ahmed, and Matin, 2018).

Human Resource Management Practices are quality element for Bank Performance. The HRM engagement practices have direct impact on traditional banking performance (Masum et al, 2015). However, this research investigates and encounters the rate of turnover and dissatisfaction levels among staff of Commercial Banks in Pakistan.

The Human Resource Department endeavours to get the right person for the right job. They recruit them and provide respective training to improve the performance of the organization along with the level of job satisfaction of the employees. Researches enlighten factors affecting employee retention which may be due to lack of motivation, job satisfaction, compensation, and salary issues, Job role, training and development opportunities, supervisor behaviors, and work-life balance due to pressure of achieving unrealistic targets (Shuana and Nasir, 2018).

Employee Turnover is high in the banking and pharmaceutical industries, as employees are leaving due to low motivation and high work burden. The personal and demographic factors are core reasons found by researchers (Yaqob and Charles, 2017), sometimes employees possess more skills and education but fail to get good and relevant positions in the organization, and some employees are underpaid in accordance to their expertise. as employees' possess good education but unable to get good position according to their expertise therefore, they feel job dissatisfaction and low commitment. In the banking sector (Aisha, Dania, and Samad, 2019) found that the lack of organizational commitment, Job Factors, and Job Satisfaction are the determinants of employee retention. Due to intense competition and opportunity available to employees to leave and get good job at other place, HR should focus on development of employees, build employee morale and work for retention of talented employees within organizations.

Employees are the core and critical for the organization. Human resources help and support the growth and development of any organization. Therefore, the employer needs to consider the efforts of employees not only the compensation that the employees get against his / her services but also the morale of the employees in the organization, and appreciation and acknowledgment are more important than salary.

Respect for individual employees and the support of a supervisor are also very important factors in employee retention. In commercial banks, low job satisfaction, motivation, and long working hours usually lead to a high rate of turnover of employees and minimum control over retaining them (Yaqob, Charles, and Ramesh, 2017).

The employee is an important part of the organization. The accomplishment or adversity of the organization is influenced by the employee performance, if the employee is contributing positively the organization will grow. (Hameed Waheed, 2011). Turnover of Employees is a challenging matter for organizations in Pakistan (Reina et al.2018). Hiring new employees and training them is a pricy proposition, therefore organizations should effort to minimize employee rate of turnover. Furthermore, dealing with employee turnover also has anticipated effects on the performance of the organization (Dharmawan et al.,2015). In Pakistan Banking Industry has contributed significantly to the economy of Pakistan. The banking industry makes available employment opportunities in the economy and it also facilitates funding to individual consumers and businesses. It is also backing the development of the agriculture sector and Small and Medium Enterprises.

This research is based on the most important factor in today's banking industry i.e. employee engagement and retention.

The major factors linked to the retention of employees in any organization are career development breaks, compensation and salary packages, work-life balance, management and leadership roles, workplace environment, social support, independence, training, and growth. (Bodjrenou Kossivi, May, 2016). Job satisfaction, the culture of the organization, and employee commitment and loyalty to the

organization affect the rate of employee turnover in the banking sector. (Attia et al, 2020) and these factors minimize employee turnover. (Hassan Jagirani, 2019).

These studies were conducted to investigate the primary drivers in the banking region of Pakistan that impact employee turnover, as well as the ways in which turnover affects the performance of organizations. The researcher considered employee turnover to be the mediating factor to have a more in-depth investigation of how turnover impacts performance and the role that employee turnover has adverse effects on the performance of the organization.

1.0 Background of Research Study

The banking sector in Pakistan has observed serious financial crunches and dissatisfaction of employees resulting in high turnover in Pakistan's Commercial Banks. In the decade 2000 and onwards, particularly the time horizon between 2005 and 2008 (Aizenman and Hutchison, 2012). It is observed that in 2002 banks disclosed losses and downsized their performance in a manner as they have affected the employees' productivity of the banks in Pakistan. Banking industry in Pakistan, the Management of Banks implements different Human Resource Practices to investigate the reasons for employees' performance as a main success indicator of the organization. Human Resource Management Practices are quality elements for Bank Performance. The HRM engagement practices have direct impact on traditional banking performance (Masum et al, 2015). However, this research investigates and encounters the rate of turnover and dissatisfaction levels among staff of Commercial Banks in Pakistan.

The study will examine how the practices of career development of the employees, job commitment, job satisfaction, and employee engagement will reduce and minimize employee rate of turnover. On the other hand, the study will also specify

that the culture of the organization has an optimistic effect on turnover of the employee. Future research may also deliberate the effect of other determinants for example employee apprehension, abusive behavior of supervisors, and office harassment on turnover of the employee.

Nevertheless, these objectives and challenges necessitate different skills and HR practices/tools to get ahead. To stay up with modern Human Resource Practices, we need to know about the most recent trends. Furthermore, how those can reduce the rate of turnover? My focus would be training and development, career planning and development, job satisfaction, and organizational culture, they may tend to reduce employee turnover in major banks working in Pakistan.

Overview of the Banking Sector in Pakistan

The Banks are financial intermediaries that perform services to customers in terms of deposits and savings and also provide financial services to organizations for managing funds, investments, payroll of employees, retirement, and pension plan services. In Pakistan, we have 40 Total Commercial Banks operating including the Conventional and Islamic Banks. Examples of Commercial Banks are Habib Bank, Standards Chartered Bank, Allied Bank, Askari Bank, United Bank and etc. Conventional banks are considered those who follow normal practices by Central banks and some differences with Islamic products. The Banks in Pakistan include HBL, ABL, UBL, Standard Chartered, and Habib Metro. The Islamic banks' core practices followed by Islamic law and principles include Meezan Bank, Bank Islami, UBL Ammen, MIB Banks, and Standard Chartered.

In Pakistan Banking sector recorded a profit of 177 billion Rupee in the year 2019, which is 20% higher than the previous year, 2018. Despite the economic

slowdown, the income of banks has increased. The highest annual profit in absolute terms was made by MCB Bank Limited i.e. PKR 23.8 billion and National Bank of Pakistan PKR 16.6 billion.

However, in terms of profit growth, Bank Islami Pakistan Limited ranked first with 247% growth after that Meezan Bank Limited with 73% and 58% growth of Askari Bank Limited. These remarkable achievements are only possible because of good governance and through satisfied labor force.

Commercial Banks in Pakistan

Commercial Banks in Pakistan provide services to large business entities at large scale of start-up enterprises, small business entities, and as well as to individuals. The banking sector also polishes their business and on the other hand, businesses also give money back to their Banks and boost up their business. Therefore, the banking sector is the only way that give hand to your services at the corporate level. Actually, in Pakistan, it seems that such services portray a professional image in the minds of their stakeholders so every start-up enterprise small or big wants to be attached to Commercial Banks.

Today's commercial banks are more assorted and they continuously try to launch new facilities for their customers depending upon their Credit rankings. We can find the largest range of opportunities in the banking sector of Pakistan in comparison to other sectors. Since 1997, the Pakistan Banking industry has been undergoing a comprehensive but complex and painful process of restructuring.

They suggested that the banks should be focused on the growth of human resources because well-trained and efficient human resources played vital and significant role in the improvement of their profitability level. Commercial banks play

a vital role in the field of the economist who makes a presence as an important member of the economic industry and works as a Principal-agent model. Banks provide the asymmetry of knowledge to the customer's integral problem that's why they play a very vital role between the agency i.e. takers and money lenders. The markets also play a significant part in creating the affiliation between the lender and borrower but commercial banks have the competitive advantage as they have the edge over other marketplaces because they can lend you debt with insightful information. However, there are several studies on commercial banks enticing the said relationship. Few of them have limited scope such as on the money and cost structure of different conventional banks and the overall capacity of banks. State bank of Pakistan (2002) has assessed the workflow and performance of conventional banking using the traditional analysis of financial modelling but also the money structure in the banking industry. However, there's no such research study on the structure and formation of conventional banks in respect to their link on performance management in manufacturing industries.

Bank falls beneath the category of service industry therefore its quality of service ought to culminate so that customers will fulfil. In fulfillment to attain the customer necessity the industry centers on adding up to quality administration (TQM) for picking up a maintainable advertise share. In this association, Human Resources plays an exceptionally critical and imperative part in making strides the quality. Currently, HRM practices have a major impact on Total Quality Management practices. Therefore, by implementing the best Human Resource Management Practices banks can record maximum economic benefits.

Commercial banks play a vital role in the field of the economist who makes a presence as an important member of the economic industry and works as a Principal-