

**FACTORS INFLUENCE ON EMPLOYEE TURNOVER IN PRIVATE SECTOR  
BANKS: SPECIAL REFERENCE TO CHILAW DIVISION**

H.F. Azeeka<sup>1</sup> and A.A.M. Nufile<sup>2</sup>

<sup>1,2</sup>Department of Economics and Statistics,  
South Eastern University of Sri Lanka

[hfazeeka1@gmail.com](mailto:hfazeeka1@gmail.com), [nufile68@seu.ac.lk](mailto:nufile68@seu.ac.lk)

**ABSTRACT:** *Employee turnover is one of the major problem for the success of the financial organization and it obstacle the growth and achievement of goals. This research assessed the factors influence on employee turnover in private sector banks in Chilaw Division. The main objective of this research was to identify the influencing factors on employee turnover in private banks in Chilaw Division. The specific objectives of this research were to investigate the impact of employee turnover, examine the relationship between factors and explore the strategies to retain the employees in the banks. The target population of this research was all employees in the private sector banks in Chilaw, there are 11 banks with 143 employees. Entire population was used for the research. Both primary and secondary data were used for gathering related information. Primary data was collected through interview and questionnaire which designed with Likert scale questions and secondary data was collected from reports of Divisional Secretariat and banks. Collected data analyzed by using MS Excel and Statistical Package for Social Sciences (SPSS), using reliability test, principal component analysis, t-test (independent sample test and ANOVA) and descriptive method. The finding of this research revealed that, salary and benefits, working environment, job satisfaction, distance to work and turnover intention were major factors for intention to leave the bank. As well as, employee turnover creates some negative impacts in the banks. Further, there did not any employees of the banks face frictional unemployment during their working period of life. According to the findings of the research there were some recommendations provided to retain the employees such as, provide reasonable salary, create friendly environment, identify the causes for leaving the banks and provide proper solution, proper training and guidance.*

**Keywords:** Employee turnover, private banks, job satisfaction, frictional unemployment

**INTRODUCTION**

The employee retention and organization culture has become one of the most important concerns in today's competitive business context, due to the shortage of skilled, knowledgeable and talented labour force. Throughout the world employee turnover rates are rising, hence, the cost of replacing employees is also increasing.

Employee turnover is the process of replacing one person with another for any reason. Employee turnover is the number of employees leaving the organization within the reported period versus the number of actual active permanent employees on the last day of the previous reported period.

Employee turnover is the major issue in the current world. In the competitive world, the success of the organizations depends on the performance of their labour force and retention of the employees. In order to understand the issues of retention in an organization there is a critical need to recognize the factor for leaving the organization. Many organizations of developing countries are facing a big challenge that employee turnover and it impacts the productivity and success of the organization. Mostly the organizations in Bangladesh faced high level of employee turnover.

The impact of turnover has received considerable attention by senior management, human resources professional and industrial psychologists. It has proven to one of the costliest and seemingly intractable human resource challenges confronting by several organizations globally (Aman, 2015). Each employee has own set of expectation when they entering to the organization. Unfortunately, these expectations did not reach by the employees and they will dissatisfy with that job and leave the organization.

The global private banking report of Scorpio Partnership in 2016, the global rank of top five private banks identified on the basis of Assets under Management (AUM) in 2015. They are USB (\$1.73 trillion), Bank of American Merrill Lynch (\$1.44 trillion), Morgan Stanley (\$1.43 trillion), Credit Suisse (\$687 billion) and Royal Bank of Canada (\$620 billion). Banks are also having a more difficult time retaining current employees, with bonus pools on the decline and US and UK regulators stepping in to curb compensation. Deutsche Bank AG (DBK Gn.DE) cut bonuses drastically for 2016 as it struggled to turn a profit amid costly litigation, Banks face talent crisis amid mounting costs of employee turnover: (Olivia,2017).

Recruitment, retention and turnover survey 2009 reported that the overall employee turnover rate for the UK to be 15.7%. Turnover levels vary between industries. The highest level of turnover (16.8%) is found in private sector organizations. Successive CIPD surveys of labour turnover show that the highest levels are typically found in retailing, hotels, catering and leisure, call centres and among other lower paid private sector service groups. Turnover stands at 16.4% voluntary, community and not-for-profit organizations and the public sector has an average turnover rate of 12.6%. Turnover levels also vary from region to region. The

highest rates are found where unemployment is lowest and where it is unproblematic for people to secure desirable alternative employment, (Tharanga,2010)

As a developing country, Sri Lankan banking and finance sector has a very special and vital role to achieve the economic growth of the country. Unlike the banking and finance sector of many countries in the region, Sri Lankan banking and finance sector has grown from strength to over the years and is now on a sound platform. (Samaranayake,2016).

Commercial Bank of Ceylon PLC is the leading private bank in Sri Lanka, counting its trailblazing performance has reported profit before income tax of Rs.20.051 billion for 2016, marking the end of a spectacular year in which it made history as the first private bank in Sri Lanka to surpass a trillion rupees in assets. (Media Centre,2017)

As to the people aspect it is a fact that banks in particular are pressed with the high attrition rates among their junior and supervisory grades. This fact is supported by the Fitch Ratings Lanka Ltd 2 in its recent report, which says that recruiting and retaining human talent is a key issue for Sri Lankan banks. Fitch observes that there is rather high staff turnover at the middle or junior management and clerical levels within the banking system. This affects the creation of a trained pool of staff to meet current requirements and future management succession needs. Although Fitch does not consider this a critical issue at present, unless addressed appropriately, and if the current socio-economic, political environment and resulting talent drain continues, the Sri Lankan banking industry will have to face a human talent shortage in the next decade or so (Chundika, 2008).

The knowledge worker turnover behaviour in which only 6% satisfied with their current job with the current employer while 24% intended to leave the current employer, if they get a better job offer from another IT company in Sri Lanka. Being a lucrative global industry, another 24% intended to leave, if they get a job offer or a permanent residency in a foreign country (Jinadasa & Wickramasinghe,2005).

Chilaw is one of the divisional secretariat in Puttalam district, which contains eleven private banks and five public banks itself. If each bank identified the factors that leads to turnover of employees that may help to recognize the ways of retaining them. Many of the organizations in Chilaw faced similar challenge that employee turnover. It is not exception in banking sector too. Many of the youngsters leave the current job in this division due to the job offer in foreign countries. This study will be useful to the banks and organizations by providing the idea about the factors influence on employee turnover.

### **Problem Statement**

In the current competitive scenario, it is an essential task to handle employee turnover and the growth of the organization is obstructed by turnover of employees. High level of employees leaving the organization is generating negative impact too. On the basis of this

issue there many researches were carried out in developed countries and developing countries. The organizations not only depend on physical capital; it must need skilled human resources too. Employee turnover is threatening to the banking industry and employers of banks. Employees tend to leave, as they are no longer satisfied with the company. An employee's decision to leave the organization comes up with the idea of low job satisfaction. Job satisfaction is the level of contentment that employees feel about their work that can affect performance. (Rohana, 2015).

Employee turnover in the organization create negative impacts in the organization. Research by Tariq, Rizwan and Aisha (2013) found that turnover negatively affect the performance of the organization and impacts the efficiency of the organization. However, some studies said that it also causes for some positive impacts too. Research by Ampomah and Samuel (2015) found that new ideas and skills are introduced into the company, it opens up promotion channel for employees, it helps in reducing redundancy in the organization and it also helps in replacement of poor performers are the positive impacts to the organization by employee turnover.

In 2010, there was one of the branch of private bank, Ceylinco Takaful Ltd was discontinued in Chilaw due to the shortage of staffs. It was discontinued within short period from establishment. Thus, people of this area has faced some issues too. This research will attempt to find out the factors that influence on employee turnover and its impacts.

### **Research Objectives**

The main Objective of this study is to identify the influencing factors on employee turnover in Private Sector Banks in Chilaw Division.

The specific objectives of this study are;

1. To investigate the effects of employee turnover in private sector banks.
2. To examine the relationship between factors and employee turnover.
3. To explore the strategies to retain the employees.

### **METHODOLOGY**

#### **Data Collection**

This research used both primary and secondary data collection techniques for gathering information. Primary data were collected directly from field via the interviews and questionnaires. Face to face interview technique has been used. The interview has been conducted to the managers of the banks. Questionnaire consist three section with personal information and variables. The Section A with basic information employees with 11 questions and the Section B designed to measure the influencing factors. And C were designed to identified the impacts of employee turnover and retention strategies. Further, Section B has

been designed using Likert Scale which is designed to examine how the variables strongly agree or disagree with the statements. In addition, secondary data were collected from bank reports and divisional secretariat hand book and websites.

The population of this research included the current employees of private sector banks in Chilaw division. There are 11 private sector banks located in this research area. The current employees of these banks are 143 and both male and female. The banks with 100 males and 43 females. all the employees were included in this research.

#### **Estimation Method for Data Analyzing**

Data have been analyzed using SPSS software version 20 and MS Excel. For analyzing the data which collected through the questionnaire used reliability test, principal component analysis, t-test and descriptive analysis. Based on the reliability test and KMO test, the influencing factors were identified. Further, t- test used to determine the significant influence of demographic factors on turnover factors.

#### **Empirical Studies**

Tanchi & Rahman, (2015) conducted a study in Bangladesh in order to analyze the factor that influence employee turnover in private commercial banks. The scope of this study was Bangladesh and primary and secondary data has been used to conduct the study. A sample of 117 employees are selected purposively from 14 private commercial banks. The methodology used to analyze was descriptive. The finding of this study was unattractive pay packages, lack of training and development, partiality and lack of career development influences employee to leave the job. However, the variable used in this study were derived from the reviewing literature only ad there are some other significant variable can include this study. Furthermore, the time period is too small and there is any theoretical support has not applied to this study.

Shukla & Ambalika, (2013) conducted a study in order to explore the major factor of employee turnover in leading banks. This study is based on employees in leading banks in India. Ordinary Liner Square (OLS) method has been used to analyze the study. The sample size was 44 out of which 22 samples have been collected from employees working in bank from more than two years and 22 from those who were working here from less than two years. The finding was good management can hold the employees for longer period by providing them satisfaction with respect to supervision and giving them much autonomy. But the generalization of the results is limited because instead of using psychological test, the study has evaluated on the self-rating of the banking sector employees. The sample size is not large enough and do not cover all banks.

Sattar & Shehzad, (2014) conducted a research in Bahawalpur in Pakistan. The number of population was 250 that consist of employees of banks of Bahawalpur district whereas the

sample size was 150. The method of analysis was Ordinary Liner Square (OLS). The findings of this study was work environment and Job stress have large impact on employee turnover. compensation has lower impact on employee turnover. It means there is a weak relationship between the compensation and employee turnover and there is less influence of career growth on employee turnover. Therefore, more intensive to avoid stress and at their work place reduce directly affects their performance. Despite of, there is only four factors considered that effecting employee turnover, there are some more factors lead to employee turnover. And also there is no any theoretical support has been applied here.

Amarathunge, (2016) conducted a study at a Leading Apparel Manufacturing Company in Sri Lanka on Determinants of intention to level among operational Employees. This study focused on the existing employees in the organization in order to examine what factors would for their intention to leave. The methodology of analyzing was Ordinary Liner Square (OLS). The research data was collected using both primary source; questionnaires and secondary sources; previous reports, company records etc. in order to arrive at conclusions. Using the simple random sampling technique, primary data was gathered from 120 employees out of a population of 1905 operational level employees. The findings of the study were there is no relationship between gender and highest educational qualification of employees and their intention to leave the organization. However, the result of study is limited to responses obtained from operational level employees of the selected apparel manufacturing company only. There is a weak negative correlation between gender, age, educational qualification and intention to leave the organization. Also There's a strong negative correlation between the working conditions, training opportunities, salary and other benefits and the employees' intention to leave the organization.

Pooja, (2015) carried out a research in Sri Lanka, in order to identify the relationship between job satisfaction and intention to leave of IT professionals in Sri Lanka. 300 IT professionals who are belonging to different professions are considered. Employees from twenty IT companies were considered for selection of the research sample. Data gathering would be done by the use of questionnaires. Descriptive and OLS both were used to analyze the study. The finding of the study was there is a significant negative relationship in job satisfaction and intention to leave of IT professionals in Sri Lanka. But there is no proper listing for Sri Lankan IT firms to identify the size of the company by number of employees.

## **RESULTS AND DISCUSSION**

Frictional unemployment refers to the portion of the unemployment rate that results from labour market turnover. According to the questionnaire survey, there were 122 respondents who did not face frictional unemployment during their working periods. Even though, some

employees leaved from one banks to other, the did not face frictional unemployment. There were two managers have moved from one bank to another due to better payments.

The influencing on employee turnover in private sector banks has identified by using reliability test, KMO test, principle component analysis, t-test and descriptive analysis.

*Table 1:*

*Reliability Test Statistics of Cronbach's Alpha Values and KMO test*

<b>Variable</b>	<b>Cronbach's Alpha</b>	<b>KMO</b>	<b>No. Items</b>
Salary & Benefits	0.788	0.687	4
Working Environment	0.755	0.749	5
Job Satisfaction	0.742	0.728	4
Distance to Work	0.714	0.702	4
Turnover Intention	0.739	0.655	3

Source: Questionnaire Survey, 2017

According to the Cronbach's alpha values, and KMO test the influencing factors on employee turnover has been identified as salary and benefits, working environment, job satisfaction, distance to work and turnover intention.

The independent sample t-test used to compare the means between two unrelated groups on the same continuous dependent variables. Sample t-test results of the salary and benefits based on the demographic factors; gender, marital status and job position. The significant values of gender, marital status and job position were 0.828, 0.493 and 0.881 respectively. They are greater than 0.05. According to the results can be concluded that gender, marital status and job position did not significantly influence on Salary and benefits.

According to the results of t-test of working environment the significant values of gender, marital status and job position represent as 0.739, 0.423, 0.657 respectively. Based on the significant values of these three demographic factors, can be concluded that these three factors did not significantly influence on working environment. Further, the distance to work, the significant values of gender, marital status and job position were 0.924, 0.414, 0.530 respectively. They were also greater than 0.05. Based on the results, can be concluded that gender, marital status and job position did not significantly influence on job Satisfaction.

The significant values of the t-test of distance to work of the factors; gender, marital status and job position were 0.569, 0.512, 0.645 respectively which were greater than 0.05. Therefore, based on the results of t-test can be concluded the factors: gender, marital status and job position did not significantly influence on distance to work. And in turnover intention, the significant value of gender was 0.449 which was greater than 0.05 and significant values of marital status and job position were 0.035 and 0.001 respectively which were less than 0.05. Based on this result can be concluded that gender did not significantly influence on

turnover intention and marital status and job position were significantly influence on turnover intention.

*Table 2:  
ANOVA Results of Influencing Factors*

	Significance ( p values)				
	Salary & benefit	Work Environment	Job satisfaction	Distance to work	Turnover Intention
Age	0.269	0.059	0.167	0.623	0.101
Educational Qualification	0.318	0.867	0.653	0.582	0.022
Working Period	0.166	0.386	0.358	0.402	0.076
Salary	0.582	0.731	0.255	0.222	0.001

Source: Questionnaire Survey, 2017

One Way ANOVA has been used in this research to determine whether there are any significant differences between means of more than two groups of demographic variables; age, educational qualification, working period and salary on influencing factors of employee turnover. On the basis of ANOVA result, all the demographic factors on the influencing factors, the p values are more than 0.05 except educational qualification and salary on turnover intention. It can be concluded that, there is significant influence of educational qualification and salary on turnover intention.

*Table3:  
Descriptive Statistics of Main Factors*

Variable	Mean	Variance	Std. Deviation	No. Items
Salary & Benefits	14.28	8.087	2.844	4
Working Environment	19.55	10.431	3.230	5
Job Satisfaction	15.33	5.627	2.372	4
Distance to Work	11.53	13.226	3.637	4
Turnover Intention	8.18	6.215	2.493	3

Source: Questionnaire Survey, 2017

According to the questionnaire survey the main factors have been summarized as the above table 3. Mean of Salary and represented 14.28 that included 4 items. Based on this, the more respondents' responds for salary and benefits were selected Likert scale 4 which



demonstrated that agree. Similarly Working environment and job satisfaction represented 19.55 and 15.33 with 5 and 4 items respectively. According to this, more respondents have selected the Likert scale 4 which reveals agree. Further the factor distance to work and turnover intention of more respondents selected Likert scale 3 that demonstrate neither agree or disagree.

Employee turnover creates some impact in the banks such difficulties in work as; more work load and work pressure, difficult to maintain customers, extra working hours, complaints of customers and unable to manage own works and make some expenditures such as, cost for recruiting new employees, training cost for new employees, development costs, opportunity cost and terminal benefits.

There were some impacts faced by the banks due to employee turnover. They were summarized as; loss of productivity of the bank, create additional costs, bad image to bank, more time spend for new staff, goals and objective of the bank affected, reduce the growth of bank, loss of experienced employee, stability problems and affect the profit of bank.

## **CONCLUSION**

The findings of this research demonstrated the factor influence on employee turnover in private sector banks in Chilaw division. The main objective of this research is identifying the influencing factors on employee turnover in private sector banks. Based on the Cronbach's alpha values and KMO values the influencing factors were identified. According to the questionnaire survey, identified influencing factors were salary and benefits, working environment, job satisfaction, distance to work and turnover intention

The specific objectives of this study were examine the relationship between factors, investigate the impacts of employee turnover and explore the retaining strategies. There were some demographic factors influence on employee turnover factors. Such as, educational qualification and monthly salary significantly influence on turnover intention. Further, employee turnover creates difficulties to the other employees such as, work load and work pressure, difficulties in maintain customers and extra working hours.

There were some expenditures and impacts to the banks due to employee turnover. Such as, cost for recruiting new employees, development cost, terminal benefits, loss of experienced workers, productivity loss, affect the growth and goals of the banks, more time consumption for newly joined staffs and affect image of bank.

With regard to the banks' retention strategies, it found through the responds of respondents, most of the employee mentioned that reasonable salary packages and increments, proper training and mentoring, better relationships, identifying problems and requirements of employee and provide proper solution.

Employee turnover adverse impact on organizations which creates additional cost in the organization. This research revealed some strategies could be taken in the banks to reduce employee turnover and its impacts. For maintain the employees in the banks there are some tips recommended to the banks. First of all, identify the causes of employee turnover. If employees are properly motivated by HRM, working with good environment and co-workers they didn't effort to leave the bank.

Each bank can follow open suggestion policy in the management to comment on what kind of issues they face in the job and can provide solution for their problems and maintain the same employee in the bank. It may reduce the employee turnover intention. Further, create a friendly environment and provide opportunities to the employees to develop their talents in their work. According to the findings, the respondents indicated that proper training is efficient for retaining the employees. Therefore, the banks may provide proper training with the help of proper guidance to the newly joined employees.

Human mentality expect appreciation for their works. Senior management may use this tool as appreciate their employees and show them that how their hard work important to the banks' success. Further provide reward for their hard works and attainments.

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