

A study on the effectiveness of employee retention strategies in Banking and insurance sector

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Abstract

Purpose - Be it an IT company or a manufacturing unit, employees are the primary asset to run the business enterprise. Organisations spent a huge amount money and time to hire the right candidate for the vacancy in their company, making it necessary for them to retain their employees. The focus of the research would be to analyse and study in detail various strategies used by the banking and insurance sector to retain their employees and the research will also focus upon organisation in long run and its effect on the employee productivity. The reasons behind the success and failure of the strategies used in banking and finance would also be a key area of the study.

Research Implication - The research paper will present a better and deep insight of the topic, by the way of review of literature. Therefore, the authenticity of this paper relies upon the authenticity of the content reviewed.

Research Methodology - The research primarily uses secondary sources of information like articles and journals from reputed and authentic journals authored and edited by renowned men in this field. The research also tries to identify the research gap and provide solutions to the problem towards the end of this piece of literature.

Originality - However, various researches have been conducted on the topic, this research tries to add value by reviewing the literature available and coming up with new findings.

Key words - Employees, Employee Retention, Employee Retention Strategies, Banking and Insurance sector

I. INTRODUCTION

Human resource or employees of an organization have always been in the center of the growth of its growth making them an indispensable element of their functioning. This leads to the process of acquiring the right candidate for the job becoming more expensive and time consuming. Therefore, organizations try to retain their employees for as long as possible to not only to save their costs and time but to create a pool of loyal and capable employees making the organization more dynamic and stable at the same time. As Banking sector and insurance sectors are known as the backbone of any economy and banks being the center of the economic functioning, this research would help us get a deeper understanding on how strategies are framed and implemented to achieve the best results with reference to the banking and insurance sector.

Research Objectives

1. To study various types of employee retention strategies
2. To analyse the impact of good employee retention strategies on the organization and organizational productivity in the banking and insurance sector

3. To study the reasons of failure of employee retention strategies in insurance and banking sector

Hypothesis

The Null Hypothesis

H0 – employee retention strategies have no impact on the organizational productivity.

Alternative Hypothesis

H1 – employee retention strategies have great impact on the organizational productivity.

II. REVIEW OF LITERATURE

- i. **Vincent S. Flower and Charles L. Hughes (1973)¹**, the paper discusses the reasons due to which employees tend to leave an organisation. He uses the analogy of divorce, to explain why employees tend to leave an organisation, and what could be the possible points that the organization much be lacking or the areas which are acting against the employees forcing them to leave. The research also argues that if employee turnover is low in an organisation it does not mean that the employees are happy with their job, there may be many other reasons like a tight job market, so it becomes

¹Vincent S. Flower and Charles L. Hughes (1973), "Why Employees Stay?", Harvard Business review,

necessary for the organisation to constantly look after the reasons due to which an employee stay.

- ii. **Swati Vispute (2013)²**. The paper lists down the factors that can be listed under the retention planning objectives or factors which can be classified as the foundation of employment retention, like job descriptions, recruitment, selection and employee orientation. The paper also discusses the times when employee retention is the most crucial and the most difficult task for an organization. The conclusion describes that only one retention strategy is not enough to address the issue of employee retention but a combination is required, also employee loyalty is a direct subset of employee retention. Sharing important information with proper communication channels also makes the employee feel more attached with the organisation as it gives them a feeling of satisfaction and develops a bond of trust. This also leads to less employee turnover.
- iii. **Shalini Shukla (December 2014)³**, has used both primary and secondary research to present a deeper understanding on the employee retention strategy of both private and public sector banks in India. The paper highlights the issue of increasing employee turnover specially in the private sector banks, hampering the image of the entire banking sector, it also discusses how HRM could be used in a better and more effective manner to tackle the issue. Retention strategies of almost all major public and private sector banks in India.
- iv. **Marilyn Martin (2016)⁴**. The paper talks about the reasons due to which the highly talented and skilled employees in insurance sector tend to leave the organisation. Herzberg's motivator-hygiene theory is also discussed to study the motivation factors relates to employee retention. The main area of research remains the Unites States of America. For the purpose of primary research, professional from insurance companies having an experience of more than 10 years were interviewed. Paper also addresses the issue of increasing problems faced by the insurance sector in retaining talent, because insurance sector has a deficit of trained and skilled personals making retention a much more difficult task in this ever-expanding industry.
- v. **Dr. K. Balaji Mathimaran & Prof. Dr. A. Ananda Kumar (2017)⁵**. This research establishes a link

between organisational wealth, productivity, recruitment and success with employee retention. The author also talks about the 3 R's of the retention policy. The causes of dissatisfaction of employees from are heavily affected by psychological factors which are not at all given consideration in the banking and insurance sector (in India). The research aims as understanding the causes of increasing employee turnover by using some statistical tools and also provide solutions to the problem.

- vi. **Gauri Dwivedi (2017)⁶**. The main objective of the paper is to analyse the employee retention strategy of Axis Bank in Rajasthan. For fulfilling the purpose both primary and secondary data has been used by the researcher. The main findings of the paper found out that the level of employee attrition in the organisation is increasing year on year, which is a great potential threat to the company. This issue has been recognised by the organisation and they are trying to resolve the same using a creative HRM strategy by increasing employee engagement. The company also addressed the issue of insufficient staff due to which to much burden has been laid on the current employees. To resolve the same the organisation has started hiring to fill the gap.
- vii. **Dr. Biju Roy (2018)⁷**. The paper explains employee retention as, "an obligation to continue to do business or exchange with a particular company on an ongoing basis". The status of employees has also changed from having an opportunity deficit to opportunity surplus. Employees are free to change their job profiles as soon as they feel dissatisfied from the organisation. Advantages of employee retention are elaborated with reference to the Indian context, with the ways to retain talent within the organisation. Disadvantages and losses that an organisation may suffer in the banking sector if it fails to implement effective retention strategies is also discussed side by side. Importance and interlinking of a career development and training programs and retention rate also captures a significant portion of the primary and secondary research
- viii. **Archita Banerjee (2019)⁸**. The main focus of the paper is to deal with the reasons that lead to the failure of employee retention strategies and the threat that their failure pose. Examples from various tech giants like Infosys have been taken to elaborate on the factors that

² Swati Vispute (2013), "RECRUITMENT STRATEGY AND EMPLOYEE RETENTION IN INDIAN BANKING AND INSURANCE SECTOR", NMIMS University

³ Shalini Shukla (December 2014), "EMPLOYEE RETENTION POLICIES OF PUBLIC AND PRIVATE SECTOR BANKS IN INDIA: A COMPARATIVE STUDY", Integral Review- A Journal of Management, Vol.7

⁴ Marilyn Martin (2016), "Strategies to Retain Employees in the Insurance Industry", College of Management and Technology, Walden University

⁵ Dr. K. Balaji Mathimaran & Prof. Dr. A. Ananda Kumar (2017), "Employee Retention Strategies – An Empirical Research", Global Journal of Management and Business Research

⁶ Gauri Dwivedi (2017), "A STUDY OF INCREASING EMPLOYEE ATTRITION RATE OF AXIS BANK: JHALAWAR (RAJASTHAN) REGION", International Journal Science Technology and Management

⁷ Dr. Biju Roy (2018), "Factors Determining Employee Retention: A Study in Banks", International Journal of Management Studies

⁸ Archita Banerjee (2019), "FAILURE OF EMPLOYEE RETENTION AND ITS CONSEQUENCES ON ORGANISATION THROUGH CONTENT ANALYSIS", International Journal of Research

are not given due consideration while working for increasing employee retention. Amiable work culture and lack of interpersonal communication are some very strong psychological factors for increasing employee turnover in an organisation. Lack of employee engagement and quality work life, are the prime reasons for employee attrition in the banking and insurance sector.

- ix. **Trupti Sachin Gupte (2020)⁹**. The key area of research is based on the retention strategies of ICICI bank in India and the reasons for its success. The key factors behind the success are – ICICI banks spends a lot on the development on the growth of its employees and tries to retain the for the same reason through various employee engagement activities to making its employees job satisfied. Bank tries to provide the best compensation in the form of salaries and other monetary ways of compensation. Other strategies and drawbacks are also discussed in detail.
- x. **Margaret Rogers (2020)¹⁰**, the research highlights the need of adopting an employee development strategy that would help understand the interests of the employee to get a better insight of in which field the employees wants to explore/grow further. The author explains how many business leaders tend to put more on training and development programs rather than employee retention. Due to this, many a times even after having sufficient skills the employees lack satisfaction and hence become less productive as a result organisational tasks are delayed.

III. RESEARCH GAP

Very less consideration has been given to the external and personal forces like change in the health condition of the employee or any other issues that is faced by the employee at personal level that might be responsible for a high or low employee turnover, also external factors like changing global trends and entry of a new player also effects the retention strategy of the organization. More consideration is paid to top level employees rather than the middle level or the lower level as they are the main pillars of the organization. At present, all the retention strategies are developed by the top level management, many a times top level is unaware of the issues faced by the lower levels as they make strategies keeping their interests in mind resulting into dissatisfaction and unrest.

IV. RESEARCH FINDINGS

Employees can be referred to as the heart and sole of the company, as it is almost impossible for a company to be successful without having dedicated and loyal employees. This makes the need to get the best talent available that suited

the job profile offered by the organization a necessity, and retaining them a more important task as it requires a huge investment of time and money to get the desired candidate.

So, to retain the valuable employees, factors that affect the employees the most, both directly or indirectly needs to be analyzed. As per the research it is noticed that many a times business leaders think that spending more on training and development programs would help boost the organizational productivity, completely ignoring the interests of the employees which results in reducing satisfaction of the employee resulting in lower organizational productivity and increasing employee turnover.

It is observed that organizations that maintained a one-to-one relation with the contact mechanism with its employees, provided more on the job opportunities and valued the feedback of its employees very able to achieve a higher employee retention and higher organizational output.

External factors are generally one of the most crucial driving factors with reference to the long-term planning of an organization, but external factors are not given due consideration when it comes to framing of employee retention strategies. This acts as a major setback for the long-term employee retention planning and may hit back the organization as soon as the external factors changes.

During the course of research, it was also observed that many a times dissatisfied employees continue longer that satisfied employees because of maintenance or due to other environmental reasons or insecurities like the fear of losing a secured job. However, these types of employees that do not affect the employee turnover but due to their level of dissatisfaction while working with the same organization makes them less productive bringing down the organizational productivity.

It is not the long-term cost that the organization has to bear but it also effects the process of recruitment, stability and organizational productivity at large. It becomes easier for an organization to improve the quality of their services or product, consumer satisfaction, increase revenue and the most important, the work culture of the organization if organization has a low employee turnover.

Key areas that need attention to develop a good retention policy are work-life balance, work culture within the organization, job satisfaction, recognition and respect.

In context of insurance sector, the main hindrance in employee retention was the bias nature of managers in the sector, that also becomes a major demotivating factor for the employees. Also the lack of managing staff (middle-level managers) is a big add-on aggravating the situation, as it increases the burden on the existing employees which results in more stress and increasing workload on one single

⁹ Trupti Sachin Gupte (2020), "A Study on Employee Retention Strategies Adopted by ICICI Bank", INTERNATIONAL JOURNAL OF SCIENTIFIC & TECHNOLOGY RESEARCH.

¹⁰ Margaret Rogers (2020), "A Better Way to Develop and Retain Top Talent", Harvard Business Review

individual, disrupting his work-life balance and job satisfaction. Insurance sector is also seen as a sector that do not provides competitive wages and a sector that do not promote communication channels for the redressal of the issues and problems faced by its employees. All these factors the employee retention in the insurance sector

Banking and Insurance sector has seen many ups and downs in the recent past but still remains the backbone of the 5th largest economy in the world. But, in this age of increasing globalization, which has created a highly competitive and dynamic environment the increasing rate of employee turnover due to various factors has caused a lot of trouble for the banking and insurance sector. The recent changes in the FDI policy in the insurance sector could be helpful till a certain extent as it would force the local employers to work and retain its best employees as per the global norms of competition. However, it would require a lot of efforts from the side of the employers in both the sectors to work on a better and effective employee retention strategy.

V. SUGGESTIONS

A separate body should be set up internally apart from the Human Resource department by the organizations internally that should look after the status of employees and plan strategies to retain employees for a longer time. Employee's work-life balance and job satisfaction should be the center of the discussion while working upon employee's retention strategies.

VI. CONCLUDING REMARKS

The research found out that there are many issues in the retention strategies of both insurance and banking sector organizations in India. Many steps have been taken to retain the talent by various organization. The main findings also mention about the key areas of trouble and the solution to the issue. The problem of increasing cost of retention and increasing competition on both, domestic and international fronts have worsened the situation for insurance and banking sector. However, very less research has been done with regards to the insurance sector but this research has tried its level best to address the issue and present the best of the solutions by analyzing the trends and need of the market.

The importance of employee retention is something that till date has not received proper attention specially in terms of middle and lower level, the paper tries to analyze and present fact and figures analyzing the amount of losses that a company incurs if they loose a employee in all the three levels (upper, middle and lower level of management). It has also been notices that companies who have been successful in retaining valuable talent, have out performed others in their fields.

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