



Asian Journal of Management and Commerce

E-ISSN: 2708-4523

P-ISSN: 2708-4515

Impact Factor (RJIF): 5.61

AJMC 2025; 6(2): 247-250

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www.allcommercejournal.com

Received: 19-06-2025

Accepted: 15-07-2025

Surendra Mahato

Ph.D., Assistant Professor,
Nepal Commerce Campus,
Tribhuvan University,
Kirtipur, Nepal

Shiva Raj Adhikari

Ph.D., Director Kathmandu
Metropolitan City Office,
Nepal

Binay Shrestha

Ph.D., Campus Chief Birganj
Public College, Birgunj, Nepal

Bijay Mahato

MBA, Kantipur International
College, Purbanchal
University, Biratnagar, Nepal

Corresponding Author:

Surendra Mahato

Ph.D., Assistant Professor,
Nepal Commerce Campus,
Tribhuvan University,
Kirtipur, Nepal

From hiring to holding: Hrm's role in employee retention in Nepalese banks

Surendra Mahato, Shiva Raj Adhikari, Binay Shrestha and Bijay Mahato

Abstract

This study examines the effects of remuneration, training and development, career development opportunities, and work-life balance on employee retention using a causal-comparative research design. Descriptive statistics show a diverse respondent profile across age, occupation, education, and income levels. Most respondents reported positive perceptions of rewards, fair remuneration, and benefits, while satisfaction with training and work-life balance was also high. However, views on career planning were mixed. Correlation analysis revealed strong positive relationships between all key factors and employee retention. Regression analysis confirmed that each variable significantly predicts retention, supporting the study's hypotheses. The findings underscore the importance of these HR practices in retaining employees within international service outsourcing organizations.

Keywords: HRM practices, employee retention, training and development, superior remuneration, career development

Introduction

The rapid global expansion and integration of information and communication technologies (ICTs) have significantly facilitated the international outsourcing of services. Firms in industrialized countries such as the United States, United Kingdom, Germany, and Japan increasingly contract service providers in lower-wage developing economies, including India, the Philippines, and Malaysia, to deliver tailored business solutions. These services range from back-office operations such as accounting and customer relationship management to more complex analytical tasks like market research and data analysis. Business process outsourcing (BPO) firms operating in these areas face considerable challenges, particularly low employee retention rates, which are often linked to a shortage of qualified information technology graduates (Chadee & Raman, 2009, 2012; Kedia & Lahiri, 2007; Kearney, 2011) [6-7, 17, 16].

BPO firms in developing countries are especially vulnerable to talent migration as skilled employees frequently seek higher-paying opportunities abroad. For instance, employee turnover rates in Indian BPOs vary between 30 percent and 100 percent, causing substantial financial losses related to recruitment and training (Chadee & Raman, 2012; Kedia & Lahiri, 2007; Singh, 2003) [7, 17, 27]. The ease with which employees move between organizations has fostered a 'no call/no show' culture, negatively affecting operational efficiency, particularly within the 24/7 service model typical of BPOs (Raman, Chadee, Roxas, & Michailova, 2013; Demirbag, Mellahi, Sahadev, & Elliston, 2012) [24, 9].

This study focuses on improving employee retention within the Philippine BPO sector, which has emerged as a significant player in the global outsourcing industry. The sector has experienced rapid growth, with employment projected to exceed 1.3 million and revenues expected to surpass \$25 billion by 2016, despite ongoing high attrition rates (Mitra, 2011; Vizcarra, 2011) [21, 30]. The primary objective of this study is to explore how human resource management (HRM) practices can enhance employee retention beyond traditional methods. Drawing on person-organization (P-O) fit theory (Kristof, 1996), it is argued that HRM strategies are more effective when they align organizational values with those of employees. Specifically, a strong employee-organization value fit (Chatman, 1989; Liedtka, 1989) [8, 19] is proposed as a key mechanism through which HRM practices improve retention.

This research contributes to the strategic HRM literature by addressing retention challenges in BPO firms in developing economies. It integrates HRM and P-O fit theories, offering insights relevant to emerging markets such as the Philippines.

The paper is organized into sections covering theoretical foundations, hypothesis development, methodology and data, model estimation and results, and concluding with implications and directions for future research.

Literature Review and Hypothesis Formulation

Extensive research in HRM indicates that competitive remuneration, including pay and benefits, positively influences employee retention. Shaw, Delery, Jenkins, and Gupta (1998) ^[26] found that investing in human capital through remuneration reduces turnover across industries. Pay satisfaction has also been linked to lower turnover, particularly among sales professionals (Motowidlo, 1983; Zanabazar *et al.*, 2024) ^[22], while salary disparities contribute to teacher attrition (Rumberger, 1987; Zala & Rajani, 2023) ^[25]. In the IT services sector, competitive compensation has been shown to reduce turnover among professionals in Singapore (Tan, 1994) ^[29] and India (Chadee & Raman, 2012; Assefa & Kassa, 2021) ^[7, 3]. Given the shortage of qualified IT workers, BPO firms increasingly offer perks such as health club memberships and bonuses to attract and retain talent.

Training and development are crucial in the fast-evolving IT sector, where continuous skill upgrading supports employee retention. On-the-job training not only facilitates learning of tacit organizational knowledge but also offers career advancement opportunities that incentivize employees to remain. Research shows that such training reduces turnover intentions (Benson, 2006; Hassanein *et al.*, 2024) ^[5, 11] and enhances career satisfaction among older workers (Armstrong Stassen & Ursel, 2009) ^[2]. In the BPO sector, on-the-job learning positively correlates with retention among IT professionals in the USA (Egan, Yang, & Bartlett, 2004; Lim & Rasul, 2022) ^[10, 20]. Organizations with strong training programs tend to experience higher job satisfaction, productivity, and profitability (Joo & Park, 2010) ^[15].

Career development opportunities also significantly affect retention. Lack of advancement prospects leads to higher turnover intentions across sectors. For example, expatriates show high turnover when career progression is limited (Stahl *et al.*, 2009), and unmet career expectations increase turnover in banking and education (Houkes *et al.*, 2001) ^[12]. In the IT sector, absence of career growth correlates with intentions to leave (Igbaria & Siegel, 1992) ^[14]. Clear career development programs are thus essential to reducing

turnover.

Finally, work-life balance is increasingly recognized as a key factor in retaining employees. Organizations promoting family-friendly policies and work-life balance report higher retention rates (Beauregard & Henry, 2009) ^[4]. This is especially relevant in knowledge-based industries where work can spill over into personal time, creating role conflicts and stress that increase turnover risk (Ahuja *et al.*, 2007) ^[1]. Positive perceptions of work-family balance have been linked to employee retention in sectors such as hospitality in the USA (O'Neill *et al.*, 2009) ^[23] and to employee commitment in Taiwan (Huang, Lawler, & Lei, 2007) ^[13].

Based on the above information, the following hypotheses can be framed:

- **H₁:** Superior remuneration packages are positively related to employee retention in Nepalese Commercial Banks.
- **H₂:** Training and development practices are positively related to employee retention in Nepalese Commercial Banks.
- **H₃:** Career development opportunities are positively related to employee retention in Nepalese Commercial Banks.
- **H₄:** Superior work-life balance practices are positively related to employee retention in Nepalese Commercial Banks.

Methods

This study uses a causal-comparative research design to examine the relationship between remuneration, training and development, career opportunities, work-life balance, and employee retention. This design helps identify associations without manipulating variables. Purposive sampling technique has been deployed to collect data from respondents under investigation.

The population includes employees working in Nepalese commercial banks from various backgrounds. Data were collected using a Likert scale questionnaire that measures participants' agreement with statements related to the independent variables and employee retention. Responses were recorded on a five-point scale from "Strongly Disagree" to "Strongly Agree."

Table 1: Correlation Analysis

Items	R	T&D	CDO	WL	ER
R	1				
T&D	.608**	1			
CDO	.536**	.121**	1		
WL	.698**	.161**	.633**	1	
ER	.345**	.398**	.161**	.633**	1

The correlation between Remuneration (R) and Employee Retention (ER) is 0.345**, indicating a significant positive relationship. Better pay and benefits are linked to higher retention. Training and Development (T&D) correlates with Employee Retention (ER) at 0.398**, showing that effective training supports employee retention. Career Development

Opportunities (CDO) have a weaker but significant positive correlation with Employee Retention (ER) at 0.161**, suggesting career growth influences retention. Work-Life Balance (WL) shows the strongest correlation with Employee Retention (ER) at 0.633**, highlighting its key role in keeping employees motivated and committed.

Table 2: Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.845	.188		4.494	.000
	R	.145	.036	.201	4.028	.000
	T&D	.097	.025	.168	3.880	.000
	CDO	.188	.040	.251	4.700	.000
	ER	.122	.031	.194	3.935	.000

The multiple regression analysis shows that all four independent variables Rewards, Training and Development, Career Development Opportunities, and Employee Recognition have a significant positive effect on the dependent variable. Career Development Opportunities is the strongest predictor, with a standardized coefficient ($\beta = 0.188$, $p < .001$), indicating it has the greatest influence. Rewards ($\beta = 0.144$, $p < .001$) and Employee Recognition ($\beta = 0.122$, $p < .001$) also contribute significantly. Training and Development, though slightly lower in impact ($\beta = 0.097$, $p < .001$), remains a meaningful factor. All p-values are below .001, confirming the statistical significance of each predictor. The results suggest that improving these HR practices can lead to better outcomes for employees.

Conclusion

This study highlights the combined impact of remuneration, training and development, career development opportunities, and work-life balance on employee retention. These factors are interrelated and collectively strengthen retention strategies. Fair compensation recognizes employee contributions, while training supports skill development and job satisfaction. Career growth opportunities foster loyalty, and work-life balance promotes well-being. Organizations that invest in these areas are more likely to attract and retain skilled employees, reduce turnover costs, and enhance overall productivity. Future research should examine how these factors interact across different industries and cultural settings to inform more effective, context-specific retention strategies.

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