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## **Examining the Relationship between HR Practices and Employee Retention in Pakistan's Banking Industry**

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### **Abstract**

In Pakistan's banking industry, organization is facing the most unrelenting issue which is employee retention and is particularly going true as we are observing that many organizations are facing higher turnover rates. In this study, we examined the impact of human resource (HR) practices on employee retention in the banking sectors in Pakistan. The focus is on five HR practices, namely, Recruitment and Selection, Empowerment, Training and Development, Compensation and Benefits, to analyze how HR practices influence employee stay decision. Using a survey questionnaire, we followed a quantitative approach by collecting responses from 300 bank employees in Pakistan, to which a total of 114 questionnaires were completed. The rankings score dependent variables based on the extent and effect of various HR practices, using a 5-point Likert scale. CFA testing is then employed to endorse the factor structure of questionnaire, to establish the construct's reliability and validity. Findings of the study indicate that all five HR practices significantly increase employee retention. Good recruitment and selection processes lead to a better employee-organization fit, which helps reduce turnover rates. By granting employees autonomy and control over their work, empowerment promotes job satisfaction and retention. Trainings and development sessions refine employees' skills, improve their career opportunities, and thus increase their dedication towards the organization. The findings offer HR professionals, managers, and policymakers valuable comprehensions in the banking sector. By identifying the most impactful HR practices, this research aids banking institutions in crafting targeted strategies to reduce turnover, thereby enhancing organizational stability and performance.

**Keywords:** Employee retention, HR practices, empowerment, T&D, recruitment and selection, Comp & Ben, Pakistan banking industry, quantitative research.

### **Introduction**

For reputable organizations, employees are considered as backbone, thus hiring and retaining talented employees, especially when their skills and experiences



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are in high demand, becomes incongruous (Bidisha & Mukulesh, 2013). In this competitive environment, organizations have realized the importance of focusing on employee retention because employees are an organization's biggest asset. The rationale behind this strategic focus is that keeping employees is a potential way of saving the costs of turnover, recruitment, and training as well as of the risk of losing talent to competitors (Ejiofor et al., 2006). Now, in 21st span, businesses not only need to motivate and retain employees who believe in the organizational values and goals but also they need to make them more productive (Kellough, 2007). Microfinance institutions particularly have the challenge of increasing the loyalty and commitment of its staff. Employee retention is about understanding the reasons as to why employees are staying in their current organizations (Akala, 2012). The defined HRM practices in this study as the organizational strategies, organizational policies, and organizational activities that used to manage human resources efficiently. This can cover a broad spectrum of employee-related processes including those related to obtaining, developing, using, and keeping employees. HRM is a vital aspect that impacts the retention of employees in the organization. This study identifies two HRM practices that is career development and learning and development which is relevant to employee retention (Ying et al., 2019). Several more authors have defined employee retention in different ways (Bibi et al., 2018; Shivangee & Dixit, 2011), yet they all examine the same key theme that retention refers to all different arrangements and activities of an organization that ensure that personnel have long-term tenure with the organization. Over the past several years, the banking sector, like so many others, has struggled to retain employees the human resource practices. These practices put great effect on employee retention. This study is about investigating the impact of specific human resource paradigms on retaining employees in Pakistan's banking sector. Drastic changes in these dynamics require banking institutions to learn these dynamics for how their bank can remain a competitive advantage and maintain stable operations.

### **Background of the Study**

In the fast growing & highly competitive banking era, employee retention is a critical factor to maintaining output and customer satisfaction. Previous studies show how crucial streamlined HR processes are to boosting employee retention. For example, performance review, training and development, and empowerment of HR processes are identified, by Malik, Baig, and Manzoor (2020end), as very important for retaining employees in the textile sector of Pakistan. Likewise, Shrestha and Prajapati (2024) showed that career management, pay & benefits, and recruiting & selection significantly enhance employee retention in Nepalese financial institutions. The findings point out the need to study HR practices in Pakistani banks.

### **Problem Statement**

Regardless of general understanding that human resource policies are vital to improve employee retention, a large number of Pakistani banking organizations have high staff churn rates. Hiring and training new staff is affluent. It also destabilizes the association and compromises provided quality services. It is necessary to bring out percentage of individual HR involvement in ER, which



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assists managers in taking tailored actions to minimize employee leaving behavior in banking sector of Pakistan.

### Gap Analysis

There has been no research limited to the banking system of Pakistan only. There has been extensive research on influence of human resource policies & practices on retaining business asset that is employee in various industries and geographical contexts. Although previous researches, such as the one being undertaken by Ahmed; Othman; and Yean (2020), provided meaningful analyses of the public healthcare system, the banking sector will not rapidly exploit these findings. The objective of this study is to fill this gap of knowledge by providing explicit data on the connotation of HR practices and employee retention in Pakistan's banking sector.

### Research Objectives

- ❖ To analyze the upshot of R&S on employee retention in banking industry of Pakistan.
- ❖ To examine the impact of empowerment practices on employee retention.
- ❖ Investigate the role of training and development programs on employee retention.
- ❖ To determine the effect of compensation and benefits on the retention of staff.

### Research Questions

- ❖ How recruitment and selection practices influence employee retention in Pakistan banking industry?
- ❖ How do employee retention rise because of these empowerment practices?
- ❖ How training and development do programs—a reason for employee retention?
- ❖ How Compensation and Benefit Retain Employees in the Banking Sector of Pakistan?

### Research Significance

This research will contribute to the existing body of knowledge by providing specific insights into the impact of HR practices on employee retention in the banking sector of Pakistan. The findings will be valuable for HR practitioners, managers, and policymakers in the banking industry, enabling them to develop and implement effective strategies to enhance employee retention. By identifying the most influential HR practices, this study aims to support banking institutions in reducing turnover rates, thereby improving organizational stability and performance.

### Literature Review

The curtail function of HRM are mostly associated with administrative activities, which include recruitment and selection, reward systems and promotion and are all needed in maintaining perceptions (Hamadamin & Atan, 2019; Hamza et al., 2021; Mishrif, 2018; Yesufu, 2020). However, Khan, U. (2020) conducted a pivotal study to assess how employee retention impacts organizational performance in Pakistani business entities. The research focused on career



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development opportunities, supervisor support, work environment, and rewards as independent variables, with employee retention as the dependent variable, so it has established a significant correlation between employee retention and the examined factors. Contingency for career development, a positive work environment, effective rewards systems, and robust supervisor support had a significant positive influence on employee retention. Such insights are essential to determining the strategies that facilitate employee retention, and, in turn, bolster company performance and reduce the expense of onboarding and training new hires. Likewise, Gaber, M., & Fahim, A. (2018) illuminate the strategic human resource management (SHRM) and public employee retention in the National Bank of Egypt. This included variables like recruitment and selection, training and career development, and compensation and benefits; (independent variables) and employee retention (dependent variable). The descriptive finding of the study indicated that recruitment and selection, training and career development, and compensation and benefits were positively correlated and had a strong impact on employee retention in the organization. This study evaluates the moderating effect of demographics and professional characteristics on the relationship of these independent variables, underlining the necessity to take individual differences into account as well as when designing retention strategies. With the help of cause effects, the study also proposed best HRM practices as the strategic tool for employees' retention, whereas SHRM makes substantial contribution in this area within the bank and empiric relation behind the numbers was also an area of concern and improved on the same.

Human resource management (HRM) is defined as the set of interrelated decisions that influence the day-to-day employer-employee relationship and seek to obtain maximum mutual benefit from the employer-employee relationship (Armstrong, 2006; Matthis & Jackson, 2004; Milkovich & Newmen, 1999) and a key process in organizations. Numerous studies have revealed some important HRM techniques such as strategic human resource planning, recruitment and selection, job analysis, compensation and rewards, performance appraisal, learning and development, career management, employee relations, and welfare (Armstrong, 2006; Matthis & Jackson, 2004; Milkovich & Newmen, 1999) Dockel et al. (2006) argued that these HRM practices can help motivate employees by offering them security, autonomy, recognition, and an improved self-worth, which results in effective commitment. This aspect of HRM highlights the importance of specific HRM practices in encouraging employee retention, of which career development and learning and development have received widespread attention from the literature on the negative relationship between HRM Practices and employee turnover.

The second important facet of HRM practices include learning and development programs that have a considerable impact on keeping employees. These programs are intended to support employees through training, workshops, seminars, or other opportunities to learn and increase their knowledge, skills, and competencies. As organizations invest in the development of the human capital, it can be said that they are investing in the growth of employees, which ultimately leads to job satisfaction and engagement (Colombo & Rebughini,



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2017). This means that employees are more likely to be loyal to the organization and apply their newfound skills and knowledge in their day-to-day tasks.

The connection between career and development, learning and development, and employee retention can be understood through various mechanisms. Firstly, these practices enhance employees' sense of competence and self-efficacy, making them feel more confident in their abilities and more engaged in their work (Colombo & Rebughini, 2017; Tansley, 2011). When employees perceive that their organization is investing in their development, it fosters a sense of loyalty and commitment, reducing their inclination to seek opportunities elsewhere.

### **Recruitment and Selection**

Effective recruitment and selection practices are fundamental to attracting and retaining skilled employees. These practices ensure that the right individuals, who align with the organizational culture and possess the necessary skills, are brought on board. According to Malik, Baig, and Manzoor (2020), comprehensive recruitment and selection processes are essential for ensuring a good fit between the employee and the organization, which in turn reduces turnover rates. They stated that well-constructed recruitment and selection practices help to recognize candidates who not only meet the job requirements but also resonate with the organization's values and culture. This alignment increases job satisfaction and commitment, thereby enhancing retention.

### **Empowerment**

Employee empowerment means giving workforces the power to make their own choices and engage in the goals of the organization. Studies show that empowerment is related positively to both job satisfaction and retention. Khatun et al (2023) state that empowerment leads to satisfaction in work which is positively correlated with retention.

Employees who feel more organic drive tend to feel increased ownership and control over their work. If employees are treated with respect and trust they are more committed to the company and turnover rate is less. Additionally, engaged employees tend to provide more innovative and effective products and services for the company, as well as a win-win situation for all parties involved.

### **Training and Development**

They are crucial aspects of improving skills and advancing career development for employees. The retention effect of these programs, however, is not uniform. Although several studies present a positive relationship between training and retention, others have argued that training may even increase the turnover rate when employees pursue better opportunities elsewhere. Haider et al. (2015) pointed out the duality of training programs; while they increase the skill and satisfaction of workers, they may also increase the mobility of those workers unless the training is supplemented by other activities. Training and development programs should not only cover skills but also career advancement within the business. By providing employees with a clear opportunity to keep growing and moving forward, they are more likely to stay with the company.



## Compensation and Benefits

Payment and benefits are key elements in keeping staff. Employee benefit schemes, pension plans, medical insurance and bonuses go a long way in enticing employees to stay with the company. Trends in To reduce turnover rates in the banking sector, Malik et al, (2022) found that Employees approach is considered essential to provide attractive benefit and compensation packages. (2020) and Khatun et al. (2023). Compensation is generally perceived to influence job satisfaction and employee retention the most. If employees have access to meaningful perks and are being compensated fairly, their loyalty toward the organization rises. Comprehensive benefit packages that promote health and work-life balance also boost retention rates.

## Integration of HR Practices and Employee Retention

Although each HR practice contributes to employee retention when acting independently, their collective impact is often greater. By combining these elements of effective recruitment and selection, empowerment, training and development, and compensation and benefits, an organization can create a holistic human resources strategy that addresses multiple areas of employee needs and motivations. Shrestha and Prajapati (2024) explained how these practices aligned together in a strategic manner can greatly enhance employee retention through the creation of a supportive and motivating work environment. This study measured employee retention as a dependent variable, which is an indicator of how well the organization can retain its staff in the long run, an especially vital concern in the banking sector that is reliant on experienced employees. The independent variables that influences retention are effective HR practices ranging from recruitment and selection practices to empowerment practices, training and development practices, and compensation and benefits practices.

## Conceptual Model

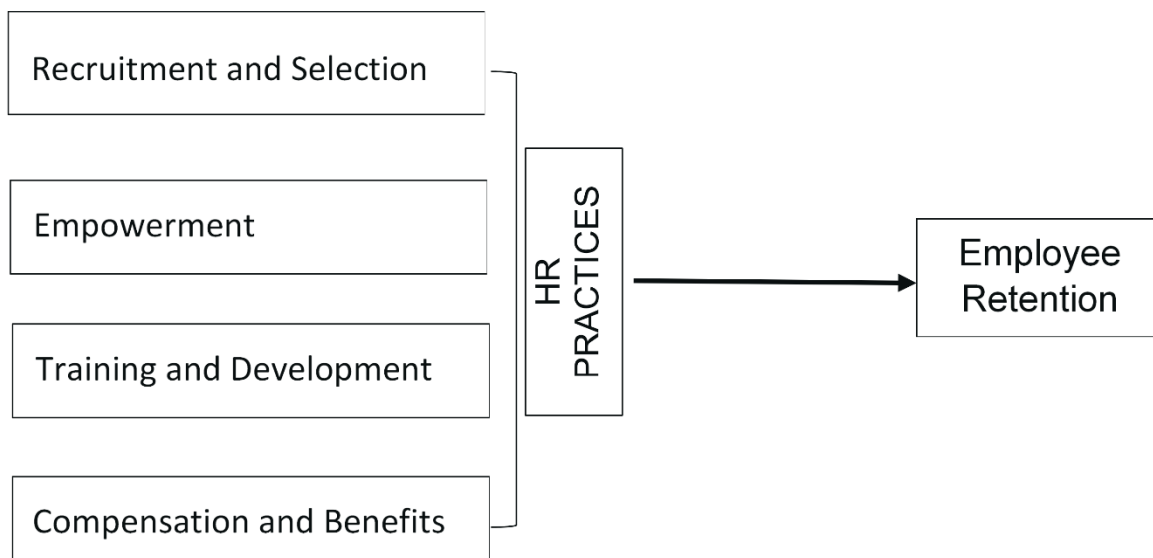


Figure 1 Conceptual framework of HRM practices and Employee Retention



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Almost all your HR practices have a direct impact on retaining the top talent. The HR practices included were:

- **Recruitment and Selection:** Placing qualified candidates in the right roles within the organization
- **Empowerment:** Granting employees the authority and resources they need to make decisions.
- **Training and Development:** Providing opportunities for employees to learn and grow in their roles.
- **Compensation and Benefits:** Providing market-competitive financial and non-financial rewards.

The framework indicates that the effective implementation of these HR practices fosters a supportive and satisfying work environment, leading to higher employee retention.

### **Hypotheses**

This study focused on the effect of HR Practices on employee retention in the banking sector of Pakistan. The research carries great importance because of the empirical link between effective HR Practices, organization success and employee retention. The study examines HR Practices: recruitment and selection, compensation and benefits, employee empowerment, training and performance management and their effect on employee retention in banking sector. The backlash of previous research has indicated the impact of employee's views of different HR practices.

The study posits five key hypotheses concerning the impact of various human resource management practices on employee retention within the banking sector of Pakistan.

H1: Recruitment and selection practices affect employee retention in banking sector of Pakistan positively.

H1- states that good recruitment and selection practices are positively related to employee retention meaning that the recruitment process helps in deciding whether an employee will stay in the organization or not.

H2: Empowerment is positively related to employee retention in banking sector.

H2 - predicted empowerment practices, or giving employees more autonomy and control over their work, will result in higher employee retention rates. This means that empowered employees are more likely to remain with their employer.

H3: Training and development programs play a critical role in improving employee retention in banking industry

H3 - training and development programs are critical to improving employee retention. According to this hypothesis, sustained professional development opportunities help boost employees' allegiance to their companies.



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H4: There is a positive significant impact of compensation and benefits on employee retention in bank H4: Compensation and benefits have a significant positive impact on employee retention in Pakistan's banking sector.

H4 - found that employee retention was substantially influenced by competitive pay and benefits packages. According to this hypothesis, financial compensation and incentives are elements that greatly influence an employee's loyalty to their employer.

### Methodology

#### Research Paradigm

This study is based on the ontological assumption that there exists an objective reality about the effect of HRM practices on employee retention in the banking sector of Pakistan. It presumes that the relationships between HR practices and employee retention exist regardless of how the researchers perceive them.

On the other hand, as it uses a quantitative research design to quantify and analyze the effects of HRM practices on employee retention, so the epistemological perspective is positivist. Statistical methods to test hypotheses and examine relationships reflect a belief that we learn about the world through empirical observation and logical reasoning. However, the prevalent research paradigm is positivist because it is quantitative in nature and does not explore the specific context of the impact of HRM practices on employees retention in the banking sector of Pakistan.

### Research Design

#### Quantitative Technique

Our research is based on casual research it shows that the effect of one IV on the DV and we will conduct the survey for the purpose of collecting and data in this we use quantitative approach by descriptive statistics measuring multi dimension of HRM Practices and Employee Retention and cross sectional study is used, Similarly, study is quantitative research and the explanatory research approach will be used in the research and the approach is deductive which shows that the data is taken as reference explains the relationship between variables. Quantitative research is suitable for this research because we are using a statistical tool on this method and Quantitative research is identifies a statistical tool analysis and easily collect the data it shows the number and figures (DANIE, 2022)

### Confirmatory Factor Analysis (CFA)

	CB	EP	ER	RSP	TD
CB1	0.838				
CB2	0.945				
CB3	0.927				
CB4	0.912				
CB5	0.880				
EP1		0.840			
EP2		0.831			
EP3		0.836			





EP4		0.819			
ER1			0.816		
ER2			0.924		
ER4			0.920		
RSP1				0.782	
RSP2				0.770	
RSP3				0.881	
RSP4				0.845	
RSP5				0.862	
TD1					0.822
TD2					0.810
TD3					0.884
TD4					0.881
TD5					0.885

The Confirmatory Factor Analysis (CFA) table presents factor loadings that indicate how well each observed variable aligns with its respective latent construct. Career Behavior (CB) has strong factor loadings ranging from 0.838 to 0.945, demonstrating a robust relationship between its indicators (CB1-CB5) and the underlying construct. Employee Performance (EP) also shows high loadings between 0.819 and 0.840, confirming its reliability. Similarly, Employee Relations (ER) exhibits strong loadings from 0.816 to 0.924, indicating that the selected variables effectively represent the construct. Responsible Behavior (RSP) has factor loadings between 0.770 and 0.881, all above the acceptable threshold of 0.70, signifying a valid construct. Training & Development (TD) displays high loadings ranging from 0.810 to 0.885, further supporting its reliability. Overall, all factor loadings exceed the recommended 0.70 threshold, confirming that the indicators strongly reflect their respective constructs. The highest loading of 0.945 (CB2) suggests the strongest association, while the lowest, 0.770 (RSP2), still falls within an acceptable range. These findings reinforce the validity of the measurement model and indicate that the constructs are well-defined.

## Population and Sampling

### Target population

Target population of this research is taken from employee of different banks of Pakistan.

### Sampling design

This research is taken in the different banking industry of Pakistan, as no specific bank is focused.

### Sampling technique

In this study we used non probability and convenience sampling technique it means that when you have limited time and need to collect data easily from organization and we will be used convenience sampling in this research it means that to easily collect the within the limited time



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### Sampling size

The survey questionnaire was distributed through an online survey builder to 300 respondents and a total of 106 complete responses were received from employees of different banks located in Pakistan.

### Methods of Data Collection

The data for this study were collected through a questionnaire survey based on 5-point Likert scale of (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree (5) Strongly Disagree. The overall instrument has two sections: Background of respondents i.e.; demographics (Section A), HR practices (Section B) with five factors and 22 items, such as recruitment and selection RS (five items), training and development TD (five items), compensation and benefits CB (five items) and empowerment EP (four items). Section B also included the employee retention (dependent variable), which has only three items.

### Questionnaire

S. N	Questions	Particular
	<ol style="list-style-type: none"> <li>1. My organization beliefs in person's abilities to perform the requirements of the job. (RS1)</li> <li>2. My organization beliefs in personal interview. (RS2)</li> <li>3. It is great having the right connections (e.g. school, family, friends, region, government, etc.). (RS3)</li> <li>4. My organization beliefs in person's ability to get along well with others already working there. (RS4)</li> <li>5. The organization belief that people will stay long with them. (RS5)</li> </ol>	Recruitment and Selection
1 2 3 4	<p>I have the opportunity to determine how I do the job. (EP1)</p> <p>I take appropriate action without waiting for approval. (EP2)</p> <p>My work makes good use of my skill and ability.(EP3)</p> <p>I decide on the implementation of new products and services. (EP4)</p>	Empowerment
1 2 3 4 5	<p>I am satisfied with the pay that I receive. (CB1)</p> <p>I earn more than others who do similar work at other organizations. (CB2)</p> <p>My pay encourages me to improve the quality of my work. (CB3)</p> <p>I will receive a reward if I do something to improve my work. (CB4)</p> <p>The non-monetary benefits that I receive are better than in other similar organizations. (CB5)</p>	Compensation & Benefit
1	I am given the training to attain higher educational and professional qualifications. (TD1)	



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2	I have received sufficient training to do my job effectively. (TD2)	Training & Development
3	I am trained in quality improvement skills. (TD3)	
4	I am arranged with a mentor to facilitate career planning. (TD4)	
5	I am given training on regular basis. (TD5)	
1	I feel a lot of loyalty to this organization. (ER1)	
2	This is the best organization for me to work. (ER2)	Employee Retention
3	I would recommend this organization to a friend who is looking for a job. (ER3)	

### Instrument

The questionnaire has been established to gather data from respondents related to the impact of HR practices on employee retention. The questionnaire will be adopted from a previous research paper to measure employee retention. The data will be collected from the study by Alajlani and Yesufu (2021), titled "The impact of human resource practices on employee retention: A study of three private higher educational institutions in the United Arab Emirates," published in the *SA Journal of Human Resource Management*.

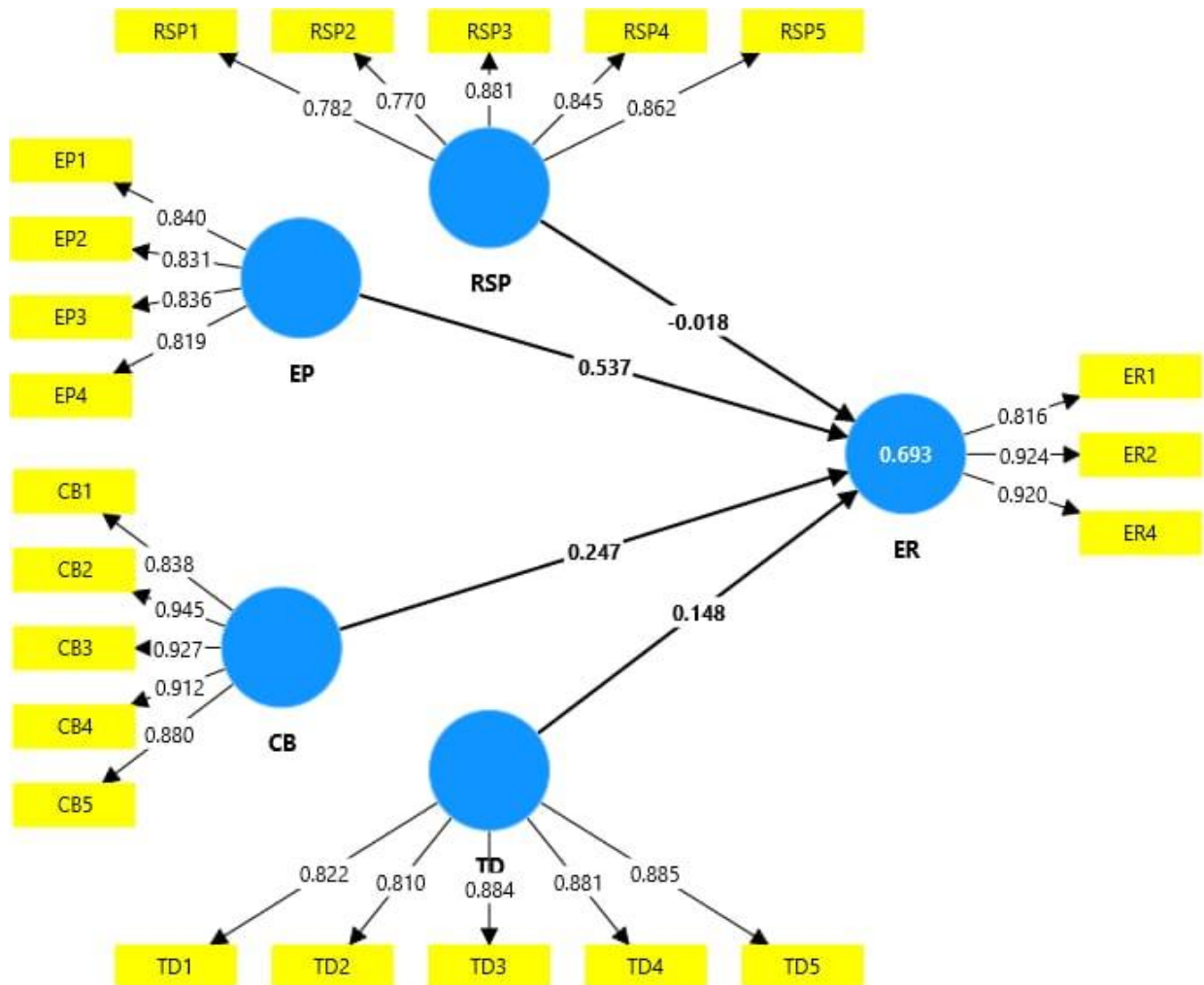
### Measure Utilize

Category	Measures Utilized	References
<b>Recruitment and Selection</b>	RS1: Organization beliefs in person's abilities RS2: Personal interview RS3: Importance of connections RS4: Person's ability to get along well with others already working RS5: Organization's belief of long stay	Malik, Baig, & Manzoor (2020)
<b>Empowerment</b>	EP1: Opportunity to determine job approach EP2: Taking action without approval EP3: Using skills and abilities effectively EP4: Decision-making for new products/services	Khatun, Rahman, & Khatun (2023)

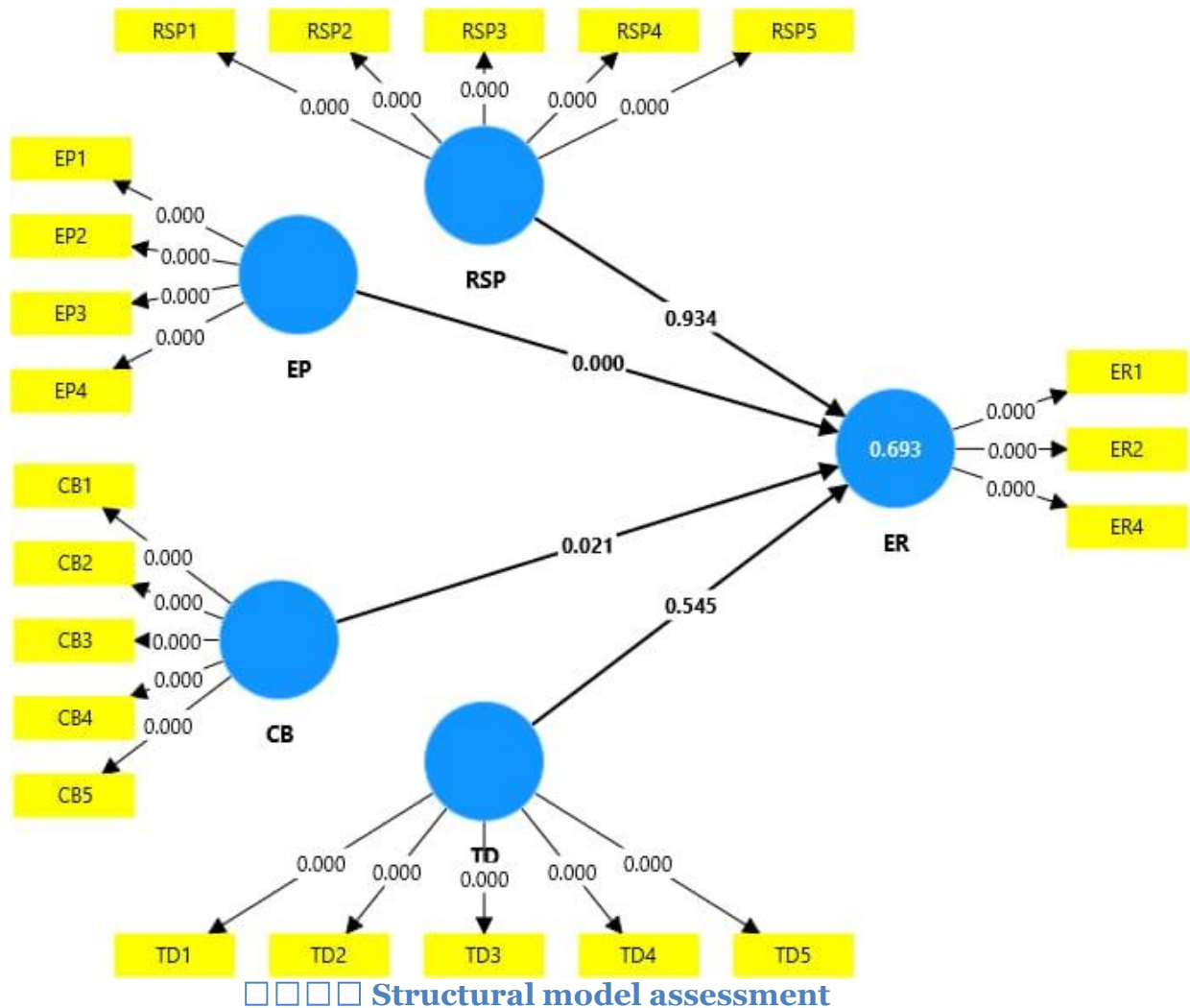


<p><b>Compensation &amp; Benefit</b></p>	<p>CB1: Satisfaction with pay                  CB2: Higher pay compared to others                  CB3: Pay encouraging quality improvement                  CB4: Rewards for improving work                  CB5: Non-monetary benefits comparison</p>	<p>Khatun et al. (2023);                  Malik et al. (2020)</p>
<p><b>Training &amp; Development</b></p>	<p>TD1: Training for higher qualifications                  TD2: Sufficient job-related training                  TD3: Quality improvement skills training                  TD4: Mentorship for career planning                  TD5: Regular training sessions</p>	<p>Haider et al. (2015)</p>
<p><b>Employee Retention</b></p>	<p>ER1: Loyalty towards the organization                  ER2: Perception of being in the best organization                  ER3: Likelihood of recommending organization to others</p>	<p>Shrestha &amp; Prajapati (2024)</p>

## Descriptive Heads



Measurement model assessment



## Analysis of Data and Result

### Theme

Partial least squares structural equation modeling (PLS-SEM) has garnered significant attention from scholars across various business research fields. In a PLS-SEM path model, the measurement model, or outer model, delineates the relationship between latent constructs and their corresponding indicators. Evaluating a measurement model entails assessing individual item reliability, internal consistency reliability, convergent validity, discriminant validity, and variance inflation factor (VIF). Additionally, assessing the structural model typically involves examining the coefficient of determination ( $R^2$ ), the effect size of the coefficient of determination ( $f^2$ ), and the model's predictive relevance ( $Q^2$ ). The subsequent sections detail the application of these steps in both the measurement and structural models.



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Table: 2.1: Demographics Profile

<b>Gender</b>		
<b>Frequency Percentage %</b>		
Male	84	74%
Female	30	26%
Grand Total	114	100%
<b>Age</b>		
<b>Category</b>	<b>Frequency</b>	<b>Percentage %</b>
23 to 26 Years	27	24%
27 to 30 Years	16	14%
31 to 34 Years	19	17%
35 to 38 Years	22	19%
39 and above	30	26%
Grand Total	114	100%
<b>Qualification</b>		
<b>Category</b>	<b>Frequency</b>	<b>Percentage %</b>
Bachelors	39	44%
Master	75	66%
Grand Total	114	100%
<b>Experience</b>		
<b>Years of Experience</b>	<b>Count</b>	<b>Percentage</b>
1 Year to 3 Years	27	24%
4 Years to 6 Years	13	11%
7 Years to 9 Years	16	14%
10 Years to 12 Years	17	15%
13 Years or above	41	36%
Grand Total	114	100%

As per above table 4.1.1, it has been confirmed that from 114 participants, 84 are male and 30 are females. Age shows that from 23 to 26 get 27 responses and get 24% , 27 to 30 get 16 responses and get 14%, 31 to 34 get 19 responses and get 17%, 35-38 get 22 responses and get 19%, 39 n above get 30 responses and get 26%, Qualification shows that bachelors shows 39 responses and 44% , masters get 75 responses and get 66%,work experience which have 1 to 3 years



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get 27 responses and 24% ,4 to 6 years get 13 responses and 11% , 7 to 9 years get 16 responses and 14%, 10 to 12 years get 17 responses and 15%, 13 years n above get 41 responses and 36%.

### Descriptive Analysis

#### Measurement model assessment

##### Individual Items Reliability

Indicator reliability, or individual item reliability, is assessed by investigating the outer loadings of every item of the constructs. In this study, the reliability score value of each latent construct item reached the satisfactory level, which is 0.70 and above. The loadings for all items in the constructs—Compensation & Benefit, Empowerment, Employee Retention, Recruitment & Selection, and Training & Development—are all above the 0.70 threshold, indicating good individual item reliability.

##### Internal Consistency Reliability

Internal consistency denotes the level to which all the items in a particular scale or subscale measure the same concept. According to Nunnally and Bernstein (1994), a composite reliability (CR) score of 0.70 or above is considered acceptable. The composite reliability values of each latent construct in this study reach a satisfactory level, as shown in the table.

##### Convergent Validity

Convergent validity refers to the extent to which individual items are correlated with each other to measure the same construct. This study has measured the convergent validity of the latent constructs through Average Variance Extracted (AVE). An AVE value of 0.50 or above ensures sufficient convergent validity. The AVE values for each construct are above this threshold.

##### Collinearity Statistics (VIF)

Collinearity statistics are assessed through the Variance Inflation Factor (VIF). The current study has reported VIF values reaching the satisfactory level of  $> 3$  and  $< 5$  for most items. However, some items, such as CB2 (7.014) and CB3 (5.692) in the Compensation & Benefit construct, show VIF values higher than 5, which might indicate some collinearity issues that need to be addressed.

Hence, the measurement model shows satisfactory levels of individual item reliability, internal consistency reliability, and convergent validity. However, some items have high VIF values, suggesting potential collinearity that may require further investigation.

Table: 2.2

Results of the Measurement Model					
Constructs	Indicators	Loadings	CR	AVE	VIF
Compensation & Benefit	CB1 CB <-	0.838	0.943	0.812	2.350
	CB2 CB <-	0.945			7.014





	CB3 CB <-	0.927			5.692
	CB4 CB <-	0.912			3.764
	CB5 CB <-	0.880			3.296
Empowerment	EP1 EP <-	0.840	0.857	0.691	1.865
	EP2 EP <-	0.831			2.091
	EP3 EP <-	0.836			1.940
	EP4 EP <-	0.819			1.971
Employee Retention	ER1 ER <-	0.816	0.884	0.788	1.753
	ER2 ER <-	0.924			3.090
	ER3 ER <-	0.920			2.952
Recruitment & Selection	RSP1 <- RSP	0.782	0.899	0.688	1.824
	RSP2 <- RSP	0.770			1.848
	RSP3 <- RSP	0.881			2.712
	RSP4 <- RSP	0.845			2.634
	RSP5 <- RSP	0.862			2.624
Training & Development	TD1 TD <-	0.822	0.912	0.735	2.124
	TD2 TD <-	0.810			2.073
	TD3 TD <-	0.884			2.986



	TD4 TD <-	0.881			3.428
	TD5 TD <-	0.885			3.315

### Discriminant Validity

Discriminant validity is defined as the extent to which a construct is truly distinct from other constructs by empirical standards. The Heterotrait-Monotrait ratio of correlations (HTMT) criterion was used in the current study to assess the discriminant validity, as proposed by (Duarte & Raposo, 2010). The HTMT suggested threshold value is 0.90.

Based on the table, most constructs exhibit HTMT values below the threshold of 0.90, indicating good discriminant validity. However, there are a few HTMT values that exceed 0.90, suggesting potential issues with discriminant validity between certain constructs.

These values suggest that Empowerment and Employee Retention (0.913), as well as Recruitment & Selection and Training & Development (0.972), may not be entirely distinct constructs in the context of this study. Further analysis may be needed to address these potential issues and ensure the distinctiveness of these constructs.

Construct	CB	EP	ER	RSP	TD
CB					
EP	0.772				
ER	0.785	0.913			
RSP	0.673	0.830	0.736		
TD	0.772	0.772	0.757	0.972	

Table: 2.3

### Results of the Discriminant Validity (HTMT)

### Structural model assessment

As for Hypotheses H1, H2, and H3, the analysis indicated a significant relationship between Employee Performance and Employee Retention ( $\beta=0.581$ ,  $t=4.896$ ,  $p<0.005$ ). Likewise, training and development and retention rate were also insignificant ( $\beta=-0.107$ ,  $t=1.194$ ,  $p>0.005$ ). This consequently supports Hypothesis H1 while not supporting Hypotheses H2 and H3.

Table: 2.4: Structural Model Results

Path Coefficient	Beta Value	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
<b>CB -&gt; ER</b>	0.247	0.212	0.107	2.310	0.021
<b>EP -&gt; ER</b>	0.537	0.564	0.093	5.776	0.000



<b>RSP -&gt; ER</b>	-0.018	-0.045	0.212	0.083	0.934
<b>TD -&gt; ER</b>	0.148	0.181	0.245	0.605	0.545

## Discussion

The blogs are all about the skills that you can develop whether it be towards personal growth, professional development, or acquiring new skills. And employee retention is a major pain point for the banking industry with such high turnover. Key HR factors influencing retention included recruitment and selection, empowerment, training and development, and compensation and benefits (Irshad, 2025).

Research suggests that successful recruitment and selection help create a strong employee-organization relationship, limiting turnover. This can result in a higher retention rate of employees who share the same fundamental principles and values as the organization, therefore improving job security (Malik et al., 2020). Empowerment is equally important; empowered employees often show greater job satisfaction and commitment (Khatun et al., 2023). Empowered employees lead to reduced burnout, a sense of ownership, and ultimately, improved retention.

Training and Development Programs are important for professional growth and employee motivation. Companies that spend on improving the skill of the employees have less turnover rate because employees see opportunities for developing in their career (Haider et al., 2015) 00:45 However poor career progression plans can force employees to look for better opportunities elsewhere. Likewise, players of the company are influenced by compensation and benefits when it comes to the retention as loyalty of employee. Attractive salaries, bonuses, and benefits (such as health insurance and retirement benefits) play a significant role in retaining employees (Shrestha & Prajapati, 2024).

The research highlights the significance of a synergistic alignment of HR practices for a conducive and inspiring workplace. An efficient Human Resource strategy involving recruitment, empowerment, training, and compensation leads to job satisfaction and less employee turnover. Future research should incorporate prominent research factors (leadership styles, workplace culture, and job engagement) to arrive at a more holistic view of employee retention in Pakistan's banking sector.

## Future Scope of the Study

This study intends to investigate the relationship between Human Resource (HR) practices and employee retention specifically in the banking sector of Pakistan by analyzing major HR practices; Recruitment and Selection, Empowerment, Training and Development, and Compensation and Benefits. This study aspires to analyze the impact of such HR practices on employee intentions to stay and, therefore, foster the stability and performance of banking organizations.

This study captures the banking sector of Pakistan as the population under study, which gives it a narrow context to study the challenges regarding employee



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retention[5]. It uses a quantitative research method with survey data collected from employees working in different banks. It also is one of a few studies that directly examines retention as an outcome of HR practices and with the intermediary of variables like job satisfaction and employee motivation.

Though this research offers important insights, some limitations exist for which future studies can try to account. This does not control for other potential determinants of employee retention, like workplace culture, leadership style, or economic conditions. Furthermore, this study is cross-sectional in nature — capturing data in a given timeframe — which provides a snapshot; future studies may consider a longitudinal design to evaluate changes to retention patterns over time.

Furthermore, the study does not differentiate between different types of Training and Development programs or Compensation structures. Future research could explore how specific HR strategies impact employee retention differently. Comparative studies across industries or geographic regions could also provide a broader understanding of HR practices and their effectiveness.

By focusing on the banking sector, this research contributes to the ongoing efforts of HR professionals and policymakers in designing effective retention strategies. However, expanding the scope to other sectors and incorporating additional variables could further enhance our understanding of employee retention dynamics.

### **Limitations**

Though the current study helps to investigate some factors behind the employees' retention in Pakistan's banking sector, it has to be acknowledged the some limitations. A considerable limitation is that the study is relatively narrow in its implications, being confined specifically to the banking industry. Future studies should incorporate a comparison between several sectors to increase the relevance of the results. In addition, the study fails to differentiate different kinds of banks, whether it is public or private banks or multinational or local banks, where differences in HR policies and favor organizational cultures could lead to different differentiation of employee retention. Hence, expanding the scope of the research to embrace more diverse financial institutions would allow for a more significant trust of the conclusions.

A further important limitation is the cross-sectional research design, with data captured at a single time point. Employee retention is a continuously evolving process influenced by long-term organizational strategies, economic factors, and individual career goals, which would have benefited from a longitudinal study measuring changes over time to comprehensively evaluate how HR-based changes impact the long-term retention trends.

In addition, the heavy reliance on self-reported survey data is susceptible to response bias. Employees might provide socially acceptable answers when they don't really feel that way, which can, in turn, introduce bias to the study, Patel explained. To address this, further studies should utilize different data collection methods (e.g., interviews, focus groups, or employer records) to triangulate survey results and formulate nuanced accounts of employee retention.

The validity of this study is also limited due to sampling. Although convenient, the use of convenience sampling could result in the sample being less



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representative. The study is likely to lack a broad representation of banking sector employees in Pakistan due to only 114 completed responses. A larger and more randomly selected sample would improve the generalizability of the results. Finally, the study does not consider demographic factors such as age, gender, education, or years of experience, who may have a major impact on employee retention as well. However, future research could examine the potential for these demographic attributes moderating relationships between HR practice and providing a richer understanding of retention.

Also, the study failed to control for external issues that may affect employee turnover, including market conditions, job market conditions, management quality, and workplace environment. Not accounting for these outside variables in the analysis leaves the potential impact to be determined on the findings to be uncertain. Future studies should account for economic and organizational factors which will provide a broader understanding of retention.

In order to mitigate such limitations, future scholars could explore other HR practices as well as their bundling and their joint effect on retention. Researchers can contribute to a greater insight on employee retention in Pakistan's banking sector with more diverse methods and bigger samples.

### **Conclusion**

In conclusion, this study has empirically examined the direct impact of proposed exogenous and endogenous relationships within Pakistan's banking sector. The findings support the theoretical propositions of the study. However, the results are specific to the banking sector, making it challenging to generalize to other service sectors. Future researchers should replicate similar studies in other service industries in Pakistan, such as insurance, hospitality, other, to validate these findings.

Research suggests that successful recruitment and selection help create a strong employee-organization relationship, limiting t This can result in a higher retention rate of employees who share the same fundamental principles and values as the organization, therefore improving job security (Malik et al., 2020). Empowerment is equally important; empowered employees often show greater job satisfaction and commitment (Khatun et al., 2023). Empowered employees lead to reduced burnout, a sense of ownership, and ultimately, improved retention. Training And Development Programs are important for professional growth and employee motivation. Companies that spend on improving the skill of the employees have less turnover rate because employees see opportunities for developing in their career (Haider et al., 2015) 00:45 However poor career progression plans can force employees to look for better opportunities elsewhere. Likewise, players of the company are influenced by compensation and benefits when it comes to the retention as loyalty of employee. Attractive salaries, bonuses, and benefits (such as health insurance and retirement benefits) play a significant role in retaining employees (Shrestha & Prajapati, 2024). The research highlights the significance of a synergistic alignment of HR practices for a conducive and inspiring workplace. An efficient Human Resource strategy involving recruitment, empowerment, training, and compensation leads to job satisfaction and less employee turnover. Future research should incorporate prominent research factors (leadership styles, workplace culture, and job



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engagement) to arrive at a more holistic view of employee retention in Pakistan's banking sector.

Additionally, this study utilized a cross-sectional design, collecting data at a single point in time, which limited the population studied. Future research should employ longitudinal designs to analyze the constructs over extended periods for more robust confirmation of the hypothesized relationships. This study also relied on self-reported questionnaires, which might introduce common method bias. Future research should consider alternative approaches, such as qualitative and mixed-method research, combining both qualitative and quantitative analyses, to offer a more comprehensive perspective on banking employee retention in Pakistan.

Finally, given that this study was conducted in a developing country context, its findings may be applicable to other developing countries seeking to improve employee retention.

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