

**CHALLENGES FACING EMPLOYEE RETENTION IN
BANKS: AN EXPERIENCE FROM NATIONAL
MICROFINANCE BANK -CENTRAL ZONE**

Baraka Julius Mgohamwende*

Peter Josephat**

ABSTRACT

There is limited study on challenges facing employee retention especially in financial institutions. This makes knowledge about this area of study to be significant. With this background the study aimed to explore challenges that face organizations when planning to retain their trained employees, and to find out major causes and solutions to such challenges. The study employed a case study research design. Results indicate that NMB is challenged by market demand and poor implementation of welfare services for her employees to stay. The study recommends that retention programmes should be reviewed in order to reduce turnover.

Keywords: Microfinance, NMB, Employee, Retention, Banks

* Leonard Cheshire Disability

** University of Dodoma, Department of Statistics

1.0 Introduction

1.1 Human Resource in an Organization

Institutions are established to accomplish specified goals. To achieve these goals, human resource is seen as one of the most crucial factors, without which the goals are as good as dead (Gberevbie, 2010). Despite the importance of human resource, researchers have agreed that one of the fundamental challenges facing organizations in the area of performance is their inability to put in place strategies capable of recruiting competent employees and retaining them to achieve organizational goals (Cascio, 2003; Gberevbie, 2008 in Gberevbie, 2010).

The African continent faces a huge challenge in terms of skilled human resource capacity, which has a debilitating effect on its ability to make strides in the areas of socio-economic and political development. While various efforts have been made to address the problem, there seems to be little progress (Ndulu, 2004 in Tettey, 2006).

Changes in technology, global economics, trade agreements, and the like are directly affecting employee/employer relationships. The loss of talented employees may be very detrimental to the company's future success. Outstanding employees may leave an organization because they become dissatisfied, under paid or unmotivated (Coff, 1996 in Alkandari and Hammad, 2009), and while trying to retain employees within the organization they may present other challenges as well. They may demand higher wages, not comply with organization practices, and not interact well with their co-workers or comply with their managers' directions (Alkandari and Hammad, 2009).

Most African countries have inadequately been concerned with careful utilization and retention of trained manpower. Tanzania is a good example of ineffective retention strategies which makes manpower to flee to other countries in Southern Africa such as South Africa, Botswana, Swaziland, and Lesotho for greener pastures.

When a business loses employees, it loses skills, experience and "corporate memory". The magnitude and nature of these losses is a critical management issue, affecting productivity, profitability, and product and service quality. For employees, high turnover can negatively affect

employment relationships, morale and workplace safety. The cost of replacing workers can be high, the problems associated with finding and training new employees can be considerable, and the specific workplace-acquired skills and knowledge people walk away with can take years to replace (Armstrong, 2007 and Ngirwa, 2005).

To avoid the negative effects of employee's attrition, there is a high need of understating and knowing the factors which influence employees to leave the job in each organization. Unfortunately many studies concerning employee's retention have been conducted in mainly U.S and Europe to determine the main factors that contribute to their satisfaction and motivation to retain their employment (Alkandari and Hammad, 2009).

Retaining well trained and experienced personnel in the organizations does not exclude financial institutions a point which this study capitalizes. Financial institutions are nowadays used by smart graduates as a place to gain trust and quit for other favourable working environments something which is of expense to those financial institutions. Financial services industry continues to change, consolidate, and face increased competition in the country.

Due to labour mobility and flexibility, labour turnover is very high in financial institutions. The turnover of key employees can have a disproportionate impact on the business and the people organizations wish to keep hold of are the probability the ones likely to leave (Reed, 2001).

According to Armstrong (2007) the factors affecting retention are; Leadership – 'employees join companies and leave managers', Learning opportunities; Company image; recruitment, selection and deployment and performance recognition and rewards. It is also necessary to encourage greatest contribution from existing talent and to value them accordingly. Resolute action is required to retain talented people, but there are limits to what an organization can do.

In summary employee retention is influenced by employee and organization factors. Employee factors include personal organisation fit and challenging job opportunities while organizational factors includes leadership behaviour, teamwork relationship, organizational culture and policies, communication and consultation and satisfactory work environment. Literature reveals that

retention is increasingly important as a result of: the lack of skilled workers, changes in employee attitudes, the availability of new employment options, the high costs associated with hiring new talent and the fact that in the new economy having talented employees is a key differentiator.

There is a limited previous study focused on turnover challenges studies in financial institutions in both developed and developing countries. Neither microfinance nor bank employee retention studies emerge in literature. This reveals that there is a gap of information about challenges facing employee retention and turnover in financial institutions in the country particularly. Based on this, the study intended to explore the challenges that face organizations when planning to retain their trained employees, and to find out major causes for such challenges.

2.0 Material and Methods

2.1 Study Area

The study targeted financial institutions because there are limited studies focused on employee retention. The industry is growing very fast in the recent years as many institutions established. Specifically NMB was selected considering that it has the largest distribution network in Tanzania, with 143 branches with about 2,614 employees (by July, 2012) compared to other commercial banks in the banking industry in Tanzania.

NMB was established in 1997 through the National Microfinance Incorporation Act No 22 of 1997. It was created from the restructuring of the National Bank of commerce (NBC) by an Act of parliament in preparation of NBC's privatization, which resulted in the unbundling of the NBC into three entities i.e. NMB, NBC Holding Corporation and NBC (1997). NMB is registered at the companies Registry and is regulated by the Bank of Tanzania and licensed under the Banking and Financial Institutions Act, 2006 to provide commercial banking activities.

NMB has over its lifetime consolidated its market position to become the most profitable and largest bank in Tanzania. In the last five years, its financial performance has improved from a profit of about TZS 5 billion in 2002 to about TZS 70 billion in 2008, a profit increase of about

600% in five years. Similarly the shareholders funds have increased from TZS 11 billion in 2002 to 122 billion in 2007, while total assets have more than doubled over the same period.

2.2 Research Design

This study employed a descriptive case study research design because the purpose of the study was to outline the challenges facing employee retention in financial institution. The selection of a specific type of case study design guided by the overall study purpose being looking to describe a case, explore a case, or compare between cases (Yin, 2003 and Stake, 1995). This research design helped the researcher to obtain the depth information relating to the topic under the study. The case taken was the NMB central zone. According to Gummesson (2000), case research is a good strategy for studying process in companies and for explanation purposes. Yin (2003) in Baxter et al (2008) defines a case study design should be considered when: the focus of the study is to answer “how” and “why” questions; you cannot manipulate the behaviour of those involved in the study; you want to cover contextual conditions because you believe they are relevant to the phenomenon under study; or the boundaries are not clear between the phenomenon and context. This study was intended to examine challenges facing employee retention in financial institutions at NMB. In that case the chosen research design was appropriate because the boundaries were not clear between the phenomenon and context.

2.3 Target Population and Sample

The total population targeted in this study comprised by NMB central zone employees. The zone had 176 employees by December 2010. Since the study was not able to take into consideration the entire population, a sample size of 56 (32%) employees was purposively selected. In order for employees from each department to be included in the sample, stratified sampling was adopted by considering five departments which forms strata. Proportion allocation of sample size to strata was adopted as it enabled sample size from a stratum to be proportional to the stratum size. Sample size for each stratum is presented in Table 1 below.

Table 1: Sample Size Distribution

Department (Stratum)	Sample Size
Zone Office & Branch Managers	11

Loan Officers	24
Customer service Managers	6
Back office officers	7
Customer service officers	8
TOTAL	56

Source: Field data, 2010

The sample selected was purposive included in the sample. Purposive sampling is the actual selection of the items for the sample if left to the researcher's discretion (Kothari, 2004). The technique was preferred because it enabled the researcher to select respondents according to work experience, sex, age and level of education.

2.4 Data Collection

2.4.1 Primary Data

Two methods were used to collect primary data: questionnaire survey and interview.

Questionnaire Survey

In this study structured questionnaires were used to collect primary data. This method was used because it is self administered and less costly hence the researchers were able to obtain a lot of information from different categories of employee. There are two types of questionnaires: open ended and closed-ended. Open-ended questionnaire gives respondents freedom to give detailed answers or opinion while close-ended questionnaires give respondents alternatives and asked to choose the one. The study used both open and closed questions.

This technique was employed to collect information from loan officers (24), bank office officers (7), customer service officers (8) and zone officers (10). A list of employees was obtained from the bank where by members to be included in the study was purposively selected. The questionnaires were distributed to respective respondents for filling and the researcher did not intervene instead was around for clarification if asked by a respondent.

Interview

The study adopted structured interview method and was applied to zone branch manager (1) and customer service managers (6). Structured interview is often used by descriptive studies (Kothari, 2004), so it was appropriate to be adopted because this study is also descriptive by nature. The technique was also adopted because it is easier to perform analysis of different respondents as different interviewee's responses can be easily compared.

2.4.2 Secondary data

Secondary data were collected from both published and unpublished records and reports. Furthermore it was collected from written documents, visual information from documents sources like newspapers, articles, speeches, advertisements, reports, journal and publications.

2.4 Data Analysis

Before data analysis, information obtained during field work was cleaned in order to omit irrelevant responses. Answers were checked if they match with respective questions. Answers which seem not to match to respective questions were discarded. Answers from open ended question were coded before data entry. The Statistical Package for Social Sciences (SPSS) software was applied because of its availability as compared to other software's which are relatively expensive. Data analysis performed in this study is descriptive as no any significance test was performed. The data are tabulated, and percentages are calculated in order to facilitate interpretation and drawing of conclusions.

2.5 Reliability and Validity

In this study reliability measures was answered by adapting a questionnaire that has been used in other studies. Validity was assured by collecting data and information from two categories of respondents, i.e. employees and managers.

3.0 Results

3.1 Labour Turnover at NMB

The study examined employee turnover for the past three years. Turnover includes all employees resigned, retired or terminated. The turnover rate for the years 2008, 2009 and 2010 was 19.1%, 18.3% and 14.8% respectively, see Figure 1 below. As turnover rates are computed basing on employees voluntary left job it was found that in the year 2008 turnover rate was 12.8%, in the year 2009 was 17% and in the year 2010 turnover rate was 12.5%.

Figure 1: Labour turnover Rate at NMB: 2008 – 2010



Source: Field data, 2010

The results indicates that, employee turnover rate decreased in the year 2010 compared to the year 2008. Turnover rate for all employees regardless of reasons to leave the bank decreased from 19.1% in 2008 to 14.8% in 2010. On the other hand rate for employees who voluntary decided not to work with NMB any more decreased from 12.8% in 2008 to 12.5% in 2010 although there was high turnover rate in the year 2009 compared to the rest two years. This turnover rate is influenced by criteria used for promotion among the other reasons.

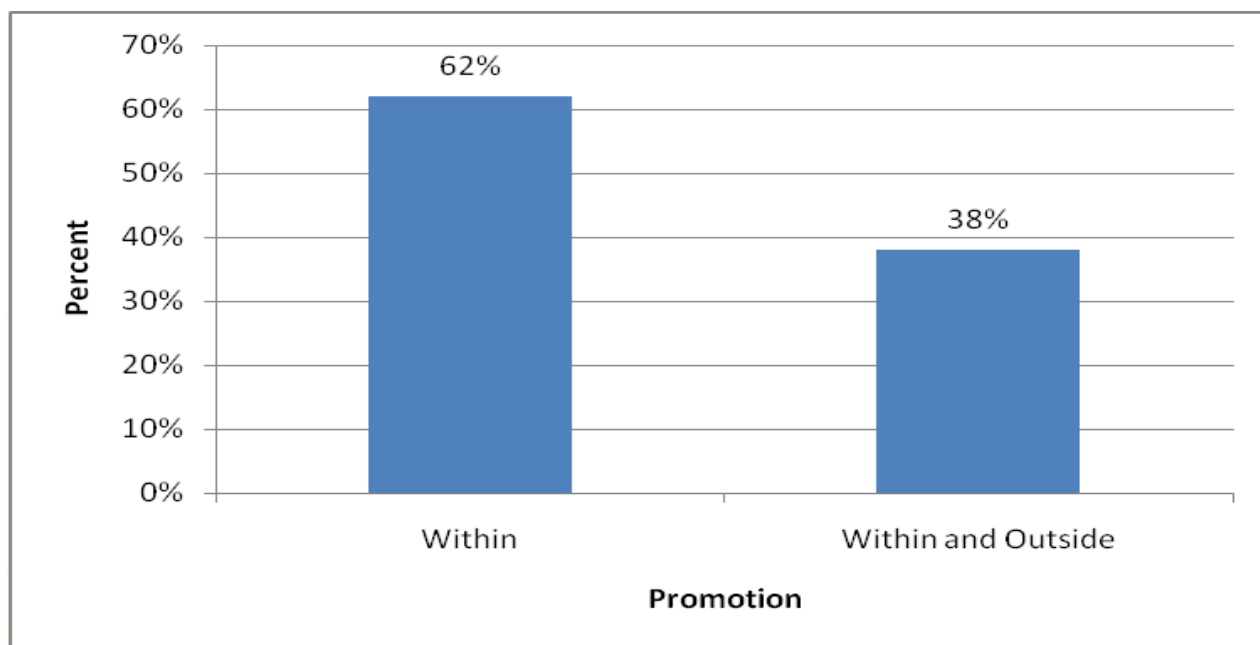
3.2 Employee's Perception on their Job Positions

Turnover rates presented prove that there is employee attrition at the bank. From this fact it was very important to explore current employee on factors which makes them to leave the bank. Four indicators were used to measure employee perception on their jobs; promotion, recognition, increased pay and training.

In order to explore promotion in the bank, respondents were asked to agree or disagree whether promotion is practice. All respondents (100%) in this study said that the organization practice promotion for its staff members. They described that promotion is done within an organization or outside. About 62% (refer Figure 2 below) described that the promotion which is practiced is for internal employee being promoted to senior post as it is only 38% which responded that both internal and external promotion is practiced.

External promotion refers to the filling of job vacancies from outside the business or organization. This is contrast with internal promotion. Normally external promotion is adopted with an organization with high staff turnover or with an organization which is growing strongly. Although external promotion brings new talent and new ideas into a company the promotion is faced with disadvantages such as: difficult to find a good fit with company's culture, may create morale problems if no opportunities for current staff, orientation takes longer, lowers productivity in the short run and conflicts with internal and external recruits. These disadvantages compel the NMB to adopt internal promotion rather than external promotion. External promotion is opted if the qualified staff for the post cannot be found within the organization. The study result shows that within the organization promotion is more preferred by NBM management for qualified staffs.

Figure 2: Promotion Types Responses



Source: Field data, 2010

The most used criteria in promotion was mentioned to be employee performance as 96.3% of respondents who responded to the question mentioned the criteria. The other two used criteria are education level (18.5%) and experience (37%). Refer Table 2 below. This is an indication that promotion is based on employee efforts in meeting assigned activities. Despite promotion being practiced in the organization still employee were not happy with promotion methods used by the organization. A complaint is that appraisal forms are filled every year but very few can be promoted. For that matter employees are suggesting that one whose performance is fantastic can remain in the same position but his or her payment should be raised to appreciate the contribution made and or immediate supervisors can be given authority to propose and comment for such person.

Table 2: Criteria Used for Promotion

Category label	Count	Pct of Responses	Pct of Cases
Education level	5	12.2	18.5
Experience	10	24.4	37.0
Performance	26	63.4	96.3
Total responses	41	100.0	151.9

Source: Field data, 2010

Perception of employee about recognition from the employer on what they are achieving is perfect as all respondents (100%) described that they receive appreciation on the work they perform. There are at least four ways on which employee are recognized (refer Table 3 below) of which winning praises is most used as it constitute 57.1% of all ways.

Table 3: Ways in which Recognition is practiced

Category Label	Pct of Responses	Pct of Case
Promotion	25.0	28.6
Monetary rewards	12.5	14.3
Winning praises	50.0	57.1
Verbal recognition	12.5	14.3
Total responses	100.0	114.3

Source: Field data, 2010

When asked to outline if they are given equal chance to pursue new career opportunities, it is only 42.9% who agree. New carrier opportunities are obtained through advertisement, training and interview (refer Table 4 below).

Table 4: Ways of Obtaining Chances for Career Development

Category Label	Pct of Responses	Pct of Cases
Through advertisement	36.8	53.8
Through training	31.6	46.2
Through interview	31.6	46.2
Total responses	100.0	146.2

Source: Field data, 2010

Furthermore the study find out that employees are not satisfied with the salary they get compared to the work they perform. One of the complaints is that they spend much of their time working with an organization and have few hours for their domestic problems accompanied by unsatisfactory welfare services. They are not convinced with NMB family day which is celebrated once per day and called as welfare services. This problem was also experienced by Martin (1967) as he described that people are entitled to be treated as full human beings with personal needs, hopes and anxieties; they are employed as people; they bring themselves to work, not just their hands, and they cannot readily leave their troubles at home.

3.3 Challenges facing Employee Retention at NMB

Before finding exactly challenges facing NMB in retaining employee, the study explored information from normal employee on how they observe turnover rate between first year (junior) employees compared to veteran. The result shows that about 95.2% of the respondents who responded to the question said that turnover among first year employee is extremely high compared to veteran. It was only one respondent (4.8%) answered otherwise. Reasons for high turnover rate for junior employee and low rate for veteran are illustrated in Table 5 below.

Table 5: Reasons for Junior Staffs to look for Alternative Jobs

Category Label	Count	Pct of Responses	Pct of Cases
Not meet their expectations	14	77.8	93.3
Market need young employees	4	22.2	26.7
Total responses	18	100.0	120.0

Source: Field data, 2010

The most reasons for junior employee to leave is because the expectations they had before

joining NMB is not fulfilled. Among of the expectation is to be highly paid and well structured and implemented of incentive policy. Now days, most of the junior employee need to accomplish their needs in a very short time of period so they need a well paid job to accomplish their targets. This makes them not to tolerate in an organization which seems to pay below their expectations.

On the other side veteran has no wide chance of securing new job because of their age and some time education. Labour mobility is high influenced by market demand. There are many employers in the market who paid well than NMB who are looking for junior staff. The junior staff are more preferably than veteran because they seems to be more competent, creative with good knowledge of capturing new technology but most important is that they are more active in which the organization will benefit from them because of long time they will work before retirement. Veteran employment is available mainly for managerial post.

The study reveals that the above mentioned reasons for staffs to leave the organization cannot be controlled by NMB. There are about five reasons (presented in Table 6 below) which are determined by the bank, i.e. the bank can control them. These reasons not only apply for junior staff but for any employee.

Table 6: Reasons for Employees to Leave NMB

Category Label	Count	Pct of Responses	Pct of Cases
Poor working conditions	8	15.7	30.8
Lack of appreciation	1	2.0	3.8
Lack of support	1	2.0	3.8
Lack of opportunity for advancement	16	31.4	61.5
Inadequate compensation	25	49.0	96.2
Total responses	51	100.0	196.2

Source: Field data, 2010

The leading reason for employee to leave is because there is inadequacy compensation as it constitutes 96.2% of reasons mentioned. The other two major factors are lack of opportunity for carrier development (61/5%) and poor working conditions (30.8%).

From the result we observe that NMB fails to satisfy its employees with things like internal counselling services that can improve employee's psychological make up against pleased working environments that disallows work life. Kodz et al (2002) explained that the principle of work-life balance is that: 'there should be a balance between an individual's work and their life outside work, and that this balance should be healthy.' The concept of work-life balance is about employees achieving a satisfactory equilibrium between work and non work activities (i.e. parental responsibilities and wider caring duties as well as other activities and interests) (Work Foundation, 2003).

It was very important also to find out the retention program practiced in the bank. Table 7 below presents those programs. The most popular program practiced is training incentives (96.9%), followed by medical benefits (81.3%) and magazine subscriptions (78.1%). Retention programmes have been to some extent successful because of the presence of human resource policies which are usable guidebook for its managerial, supervisory staff, and all employees in their employment relationship with NMB. The policies includes: recruitment and selection, training and development, employment and labour relations and performance management.

Table 7: Retention Programs Practiced

Category label	Count	Pct of Responses	Pct of Cases
Orientation	15	7.9	46.9
Medical benefits	26	13.8	81.3
Tuition reimbursement	10	5.3	31.3
Training incentives	31	16.4	96.9
Coaching	21	11.1	65.6
Career development assistance	18	9.5	56.3
Computer purchase assistance	10	5.3	31.3
Mentoring	2	1.1	6.3

Retirement saving matching	8	4.2	25.0
Competitive compensation	6	3.2	18.8
Free passes to attend family/person matters	17	9.0	53.1
Magazine subscriptions	25	13.2	78.1
Total responses	189	100.0	590.6

Source: Field data, 2010

Apart from the above programmes NMB also used other strategies by protecting her headhunted employees and those top officials from walking out the door by for example bargaining their salary, exposing them to car loans of five years. These tendencies are not applicable in entry positions like bank officers something which influence high attrition rate of employee which makes the bank to employ new blood now and then.

There is induction trainings provided to new employees with the purpose of introducing the new staffs to general idea about the functions of the organization and work ethics. Other training courses provided includes loan officer and compliance. The induction courses are very helpfully since they introduce new employee to organization activities and regulations which makes employee to be familiar with the organization function and they thus be familiar with their respective daily activities within short time of period.

Career Management is also one of the retention program practiced by NMB. It is a combination of structured planning and the active management choice of one's own professional career. This applies to semi-skilled through skilled and semi professional to professional. Career management is one of the areas where NMB is doing its best by providing opportunities for people to progress and develop their careers and ensuring that the organization has the flow of talent it needs. Currently NMB has what they call Talent Development Program for the purpose of preparing best employees to become future managers to succeed the present managers in various departments. Employees are evaluated and the ones with unusual innate ability in some field or activity are given special priority in managerial and skills training. All these suggest an employee commitment to the organization.

There are internal adverts circulated every time where the need to feel certain vacant emerge. This recruitment from within raises employees morale and gives hope to NMB employees that if they perform well they can increase their compensation by moving to another seniority level.

4.0 Conclusion

The study concludes that the turnover rate of 12.5% in the past year is high which indicates that the existing retention programs are not suitable and well implemented. Perceptions of employees in not convincing especially for junior staff as their expectation are not met. There are two main groups of reasons which are challenging the bank management in retaining the employees. The first group consist of factors which cannot be controlled by NMB while the second one includes factors which can be controlled by the bank.

5.0 Recommendations

Basing on research findings, the study recommends the following:

- Because turnover rate is still high, the bank needs to review her retention programmes in order to increase employee's satisfaction as the existing ones are not satisfactory. Scheme of service needs to be reviewed in order to increase employee perception about the bank.
- Employee survey should be conducted by the bank every year in order to explore employee opinions and attitude which help in evaluating their job satisfaction. Any shortcomings should be handled accordingly in order to motivate employee to continuing working with NMB.
- For the better performance of the retention programmes the study recommends that there is a need of having separate retention policy and common human resource manual for the bank employee as it help to show commitment of the bank to the employee. Common human resource manual needs to be the bank's human resource policies written into a usable guidebook for its managerial, supervisory staff and all employees to be used for retention purposes. This manual will not only outline the Bank's policy toward the various phases of the employer-employee relationship, but also indicates how policy is to be administered.

- An employee retention policy and programs should be established and made available in order to increase transparency. Sub-policies like carrier development manual that will stipulate the likelihood of an employee climb the ladder of carrier development under performance appraisals and other criteria like research though overtime administered questionnaire and or interviews should be used to ask employees on their preferences pertaining to employee retention as an emphasis to this program. Other suggests that it is good to rank employees in three categories: best performers, middle performers, and lowest performers. The objective is to retain top performers; develop and retain middle performers, turning them into near-top or top performers if possible; and potentially replace the lowest performers. This ranking increase organization performance as employee tends to work hard.
- In order to overcome carrier development complaint, bank management should ensure that selection and promotion procedures match the capacities of individuals to the demands of the work they do. Rapid turnover can result simply from poor selection or promotion decision because of this there is a need of quarterly review by collecting views/opinions of NMB staff so as to improve areas with weakness.
- There is a need of managers, supervisors and team leaders to attend training and seminars from time to time (a year) to increase their capability of dealing will employees especially customer care and decision making.

On top of that, there are no talent audits so as to review stock of talents available and the flows required by reference to demand and supply forecasts and performance and potential assessment. They provide the basis for succession and career planning. Walker (2004) sees that this practice gives not only the firm assurance to availability of talented employees but also it states and helps decision making on how the organization can stop valuable employees from stepping outside the organization door looking for another best employer. When management hears a certain theme over and over, and they do not act on this evidence, things will not get any better. The significant problems of the world cannot be solved with the same thinking that created them. Companies need their employees to believe that they will hear and listen to feedback from employees and consultants.

6.0 References

Alkandari, Q. and Hammad A. A. (2009). "Employees Retention in Private Sector an Explanatory Study in the State of Kuwait". Open University Malaysia.

Armstrong, M. (2007). *A Handbook of Human Resource Management Practices, 10th Edn.* Cambridge University Press, Great Britain.

Baxter, P. and Jack, S. (2008). Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers. *The Qualitative Report Volume 13 Number 544-559.*

Cascio, W. F. (1995). *Managing human resources: Productivity, quality of work life, profit.* New York: McGraw-Hill.

Coff, R.W., (1997). Human Assets and Management Dilemmas: Coping with Hazards on the Road to Resource- Based Theory. *Academy of Management Journal*, Vol. 22, pp.374- 402.

Gberevbie, D. E. (2010). Strategies for Employee Recruitment, Retention and Performance: Dimension of the Federal Civil Service of Nigeria. *African Journal of Business Management* Vol. 4(8), pp. 1447-1456, ISSN 1993-8233.

Gberevbie, D. E. (2008). *Staff Recruitment, Retention Strategies and Performance of Selected Public and Private Organizations in Nigeria*, Ph.D. Thesis. Coll. Bus. Soc. Sci., Covenant Univ., Ota.

Gummenson, E. (2000). *Towards a Theory of Professional Service Marketing.* Industrial Marketing.

Kodz, J., Harper, H., & Dench, S. (2002). "Work-life balance: Beyond the rhetoric". Institute for Employment Studies Report 384. London: IES.

Kothari, C. R. (2004). *Research Methodology Methods & Techniques*. New Age International Publishers.

Martin, A. O. (1967). *Welfare at work*. Batsford, London.

Ndulu Benno. 2004. "Human Capital Flight: Stratification, Globalization and the Challenges to Tertiary Education in Africa." (http://www.worldbank.org/afr/teia/pdfs/human_cap.pdf).

Ngirwa, C. A. (2005). *Human Resources Management in African Work Organizations*, University of Dar Es Salaam, Tanzania.

Reed, A. (2001). *Innovation in Human Resource Management*. CIPD, London.

Stake, R. E. (1995). *The Art of Case Study Research*. Thousand Oaks, CA: Sage.

Tetty, W. J. (2006). "Staff Retention in African Universities: Elements of A Sustainable Strategy". The World Bank.

Walker, N. (2004). *Creating a Talent Mindset: A Five-Step Roadmap*, Strategic HR Review.

Work Foundation (2003). *Bonus Scheme. Managing Best Practice*, Vol. 110, September.

Yin, R. K. (2003). *Case Study Research: Design and Methods (3rd Ed.)*. Thousand Oaks, CA: Sage.