A STUDY ON THE DETERMINANTS OF EMPLOYEES' LOYALTY

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ABSTRACT

A human being is a basic asset for making or development of anything. Each organisation need is to have talented and equipped individuals to make their organisation skilful and best. Worker's retention is very important for the company. The workers can be retained by building employee's loyalty among them. loyalty is portrayed by the expectation to engage with the company in the long term, which assumes a positive job in the maintenance of individuals in the association. So, employee's loyalty can be proved very beneficial for the employees as well as the organisation. This study will highlight the factors influencing employees' loyalty. Confirmatory factor analysis has been conducted through SMART PLS to determine the factors. It was found that four factors Employees' treatment, Job characteristics and satisfaction, Management leadership and Training and Development impacted the employees' loyalty the most in the banking sector.

KEYWORDS: *Employees' loyalty, Employees' treatment, Job characteristics and satisfaction, Management leadership, Training and Development*

INTRODUCTION

A human being is a basic asset for making or development of anything. Each organisation need is to have talented and equipped individuals to make their organisation skilful and best. The administration must attempt its level best to retain those employees who are extremely significant for the framework and are known to be powerful supporters. Worker's retention is very important for the company. The workers can be retained by building employee's loyalty among them. If they are loyal towards their job and the organisation, then they will never leave an organisation in any case and perform their job with full efficiency and effectively, which ultimately improves the performance of the organisation.

As per Khuong and Tien (2013), "Loyalty is the willingness of an employee invest in or sacrifices for the organization to strengthen a relationship." Pandey and Khare, (2012) defined employee loyalty as," employees being committed to the success of the organization and believing that working for this organization is their best option". Thus, loyalty is portrayed by the expectation to engage with the company in the long term, which assumes a positive job in the maintenance of individuals in the association. So, employee's loyalty can be proved very beneficial for the employees as well as the organisation.

LITERATURE REVIEW

According to Eskildsen & Nussler (2000), "employee loyalty measures to what degree an employee takes personal responsibility for their work, and how likely they are to look for another job. This latter component is also a measure of an employee's organizational commitment."

Sandra Obilade, (1998) suggested that management should focus on the employees' benefits to incline the morale and then employees will be more loyal. Also, Minjoon Jun, Shaohan Cai, Hojung Shin (2006) reviewed that increased workplace satisfaction results in a higher level of employee loyalty. Lockwood, (2007) highlighted in their study that organization that treats its employees with dignity and respect creates a workplace culture that increases loyalty and engagement.in the study of Maznah Wan (2010), some determinants, i.e., peer corporation, working Environment, employee benefits had been discussed which influence employee loyalty. In a study, it was shown that there was a positive relationship between employee satisfaction and employee loyalty. out of all the five factors, training and personal development was the most important and teamwork was the least important factor while working condition, reward recognition and empowerment and participation were at second, third and fourth position respectively (Ali Turkyilmaz et al.,2011).

So, there are many studies that examined employees' loyalty and its determinants. The present study will determine the factors that influence loyalty of employees, who are working in the banking sector.

OBJECTIVES OF THE STUDY

1. To determine the factors influencing loyalty of employees.

2. To suggest methods to enhance the loyalty of employees in the banking sector.

RESEARCH METHODOLOGY

To collect the data, online survey was conducted. A survey form was formed through google forms. Then, questionnaire was sent to the respondents through online mode, through social sites. One hundred and ninety-two responses were gathered. As per Hair et al., 2012, the minimum sample should be 5 times of the variables in the research but not less than 100. The sample size of this research is 192. Therefore, for this research sample size is acceptable. Demographic distribution of the sample is displayed in table1.

Data was collected from the employees working in the banking sector. The scope of the study is limited to the three major cities of Punjab that is, Amritsar, Ludhiana and Tarn Taran. Convenience sampling was used for selecting respondents in the process of data collection. So, sampling unit was chosen from employees working at banks in the three major cities of Punjab.

Table1: Demographic distribution of the sample

Demographic	Frequency	Percentage
Gender		
Male	108	56%
Female	84	44%
Age Group		
22-29years	127	66.15%
30-37years	49	25.52%
38 or more	16	8.33%
Total tenure in the Organization		
Less than 1 year	33	17.19%
1-5 years	100	52.08%
6-10 years	42	21.88%
More than 10 years	17	8.85%
Type of Banks		
Private Banks	116	60%
Public Banks	76	40%

DATA ANALYSIS

Confirmatory factor analysis was carried out through SMART PLS 3. CFA is a statistical tool used to verify the factor structure of a set of variables, it was initially formulated by Joreskog (Joreskog, 1969). Through CFA, researchers can specify the factors which determine the variables is associated with the latent variable. CFA is a technique to decide whether the measurement model has been accepted or rejected. Its aim is to check whether the data fit is a hypothesized measurement model. In the area of structural equation modelling (SEM), it is frequently called as a "measurement model". Measurement model was performed by the researcher through PLS-SEM by "factor weighting scheme".

PLS algorithm was run by researcher with factor weighting scheme. Then, it was observed that factor loadings of all the variables were more than 0.7, ranges from 0.724 to 0.875. Composite Reliability (CR) and Cronbach's alpha are used for the evaluation of internal consistency. It is assumed that CR is better way to assess internal consistency than Cronbach's Alpha as it remains the standardised loadings of observed variables (Fornell; Larcker, 1981). It can be clearly seen from the table 6, Cronbach's Alpha and CR were more than 0.74 and 0.85 respectively, indicating more than the threshold limit of 0.7.

To demonstrate the convergent validity of the variables, researcher calculated the Average Variance Extracted (AVE) of every latent construct. The minimum value of AVE should be above 0.5(Hair, 2011). It is vivid from table 2, AVE of every construct was more than 0.5. These outcomes validated the convergent validity and good internal consistency of the model. Now moving further to Discriminant Validity, discriminant validity checks that the measurements which should not be related are unrelated. The Fornell-Larcker criterion and Cross loadings were used to check the discriminant validity. Table 3 depicts that correlations of all were smaller as compared to the squared root of average variance, along with diagonals, which implies that discriminant validity has been established.

Therefore, the conceptual model was accepted with validation of Reliability, Convergent validity, Discriminant validity

Table 2 Construct Reliability and Validity

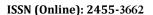| Main constructs	Variables	Outer loadings	Cronbach's Alpha	CR	AVE
Job characteristics and satisfaction	CS1	0.724	0.857	0.897	0.636
	CS2	0.742			
	CS3	0.817			
	CS4	0.829			
	CS5	0.866			
Fair income and Benefits	IB1	0.744	0.807	0.865	0.563
	IB2	0.724			
	IB3	0.777			
	IB4	0.752			
	IB5	0.753			
Training and Development	TD1	0.804	0.749	0.855	0.664
	TD2	0.762			
	TD3	0.875			
Management leadership Style	ML1	0.740	0.786	0.860	0.607
	ML2	0.819			
	ML3	0.765			
	ML4	0.790			
Loyalty	L1	0.788	0.828	0.884	0.658
	L2	0.874			
	L3	0.828			
	L4	0.748			

Table 3 Fornell-Larcker Criterion Test

	Employees' treatment	Job Characteristics and satisfaction	Management Leadership	Training and Development	Loyalty
Employees' treatment	0.750				
Job characteristics and satisfaction	0.639	0.797			
Management leadership	0.495	0.583	0.779		
Training and Development	0.605	0.610	0.489	0.815	
Loyalty	0.488	0.516	0.389	0.564	0.811

SUGGESTIONS TO IMPROVE EMPLOYEES' LOYALTY

There are some suggestions gathered from the respondents at the time of collecting data about what things can increase employees' loyalty. So, authorities and managing bodies can follow or adopt the following recommendations to enhance the loyalty of employees at workplace:

➢ Monetary benefits excite everyone. So, adequate pay packages should be offered to employees according to the work assigned to them, so that they can feel motivated. Moreover, a decent hike in salary should also be given to them as per the performance of employees, which will encourage them to perform better. It keeps them motivated to keep working for the organisation.

➢ Besides monetary benefits, other benefits such as medical or health, travelling expenses, insurance, etc, could also help in boosting the loyalty of employees.

➢ Organisations should treat every employee equally and give equal rights to get involved in things. No partial judgements will help them to stay longer in the organisation.

➢ The employees' loyalty at work has a direct relationship with the empathetic nature of the management. If the employee is recognised and rewarded fairly, he will surely be loyal towards his work.

➢ Give each employee a fair chance to show his leadership skills, will help the employees to work in the organisation for the long term.

➢ Delegation of work should be there, according to the capabilities and interests of employees, as right men at the right job will definitely helpful for the company as well as for the employees at individual level, resulting in enhancing the employees' loyalty towards the organisation.

➢ The employees' loyalty to work is directly proportional to the respect given to his work. If an employee is appreciated enough for his work or efforts, then his loyalty will surely increase.

➢ There should be a cordial relationship among employees, between superiors and subordinates, etc.

➢ The working hours are needed to be improved; their personal life should not be ignored.

➢ Structured dispute resolution should be adopted if any kind of disputes arises among employees and superiors or subordinates.

➢ There should be a good environment or healthy environment at the work place towards employees.

➢ More fair opportunities should be provided of being promoted in the organisation and promotion policy should be fair enough. Employees should be promoted to the high designation with increased salary on the basis of performance.

➢ Employees satisfaction initiatives should be taken by the superiors by knowing the need of them.

➢ Proper motivation channels and training and development programs could help to incline the sense of loyalty among employees.

DISCUSSION AND CONCLUSION

In these competitive scenarios, for any organisation to sustain in the market, these have to be prepared for all the aspects such as finance, goodwill, etc. but the predominant factor is Human Resources. The ultimate work is performed or come into practice only by the human resources or employees. So, they contribute the maximum to the survival, making profits, and smooth functioning of the organisations. So, organisations must consider the aspects related to human resources while taking any decisions for the organisations. If the company's employees are satisfied to the extent, they will try to perform to their maximum ability for their benefits as well as for the company's benefits. And they will stand by the company even in some difficult situations. This will develop the feeling of loyalty among employees. And as already mentioned, employees' loyalty contributes the most in company's success.

Therefore, it is very important to study or finding out which factors impact the loyalty of employees the most. In this study, Through CFA, four factors had been examined, which are, Job characteristics and satisfaction, Fair income and benefits, Training and development and Management Leadership style, which impacts the loyalty of employees.

LIMITATIONS AND SCOPE OF THE FURTHER RESEARCH

This research has some limitations on which further researchers can work. Firstly, in this research, researcher has only considered only four factors influencing the employees' loyalty, however, there are many other factors which can also be considered. So, further researchers can pursue research on this research problem with many other factors.

Also, this study is limited to the employees only who work in a bank, as researcher has performed the research by considering only the banking sector. So, research on this issue can also be performed in any other sector or industry.

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